FINANCIAL TIMES

World Business Newspaper

MONDAY MAY 13 1996

Start the week with...

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Net terror: Shining Path's Web site

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Sport

Football: passion or merely fashion

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Bulgaria to close state enterprises in bid for IMF aid

Bulgaria is set to announce the closure of dozens of lossmaking state enterprises, including coal mines, refineries, power stations and shipyards, in a bid to reach agreement with the International Monetary Fund on a support package to defuse the current economic crisis. On Friday the country's central bank raised its main interest rate to 108 per cent from 67 per cent in an attempt to halt the steep decline in the value of the lev. Page 18

DC-9 crash raises safety fears: The weekend crash of a ValuJet Airlines DC-9 aircraft in the Florida Everglades, in which all 109 people on board died, has raised questions over safety at the discount airline. Page 4

Brussels cuts growth forecasts: The European Commission has sharply cut its forecasts for growth in member states, fuelling fears that Germany and France will not meet the Maastricht criterion covering budget deficits in time for European monetary union. Page 18

Aznar warned to slash spending further: The head of Spain's newly created budget office said government spending had to be slashed by a further Pta400bn ($3.17bn) this year – twice as much again as the cuts already announced – in order to meet its deficit target. Page 2

Bossi fuels Italy's northern issue

At the start of a week which will a see a new Italian government formed, Umberto Bossi (left), leader of the Italy's populist Northern League, defiantly announced the formation of an 11-member government of Padania and a 10-strong "Padania provisional liberation committee". The "government" can have no legal status but Mr Bossi intends it in the short term to shadow the activities of central government and not prepare for secession. Page 2

Volkswagen to sue GM: Volkswagen stepped up its bitter dispute with General Motors over alleged industrial espionage by saying it was suing the US company and Opel, its German subsidiary, for defamation. Page 2

Fresh IRA ceasefire signalled: Martin McGuinness, one of the most influential leaders of the IRA's political wing Sinn Féin, said the nationalist paramilitary group was "open to persuasion" on renewing its terrorism ceasefire. Page 7

Japanese investment in Europe rises: The number of Japanese companies setting up operations in western Europe rose last year for the first time since 1989, with the UK remaining the most attractive place to invest. Page 6

Vision of Algeria's future: Algerian president Liamine Zeroual outlined plans for a second chamber of parliament and a ban on parties using religion or ethnicity for political ends. Page 18

UK fund managers turn bearish: Fund managers are intending to switch heavily out of UK equities and have turned more bearish than at any time this decade, according to a poll. Page 19

Singapore to open telecoms market early: Singapore is to open its telecoms market to competition in 2000, seven years ahead of schedule. Page 6

Tenneco, the US conglomerate which last year spent $1.7bn on acquisitions, is planning to expand its automotive interests in Europe. Page 19

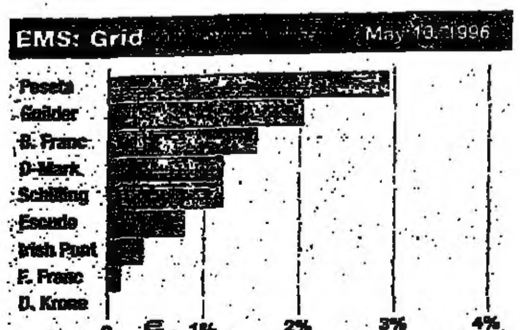
Hong Kong smashes CD piracy syndicate: Hong Kong customs agents smashed a cross-border copyright pirating syndicate and seized a record haul of counterfeit compact discs. Page 3

Manila urges extension of tariff cuts: The Philippines is urging the other members of the Association of South-East Asian Nations to extend to the rest of the world tariff cuts already agreed for trade within Asean. Page 3

Transocean Drilling of Norway, one of the world's leading offshore drilling companies, has recommended to shareholders that they accept a $1.46bn merger offer from Sonat Offshore Drilling of the US but its biggest shareholder has urged the company to look again at a rival US offer. Page 19

European Monetary System: The Irish punt climbed two places in the EMS grid last week, leapfrogging the Danish krone and the French franc. The spread between the strongest and weakest currencies narrowed in a week which saw some revival in the fortunes of the D-Mark. Currencies, Page 29

EMS: Grid May 10 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	Ekr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

German states reject tax plans

Reforms are opposed by all 16 premiers as Bonn battles to promote growth package

By Peter Norman in Schloss Krickenbeck and Andrew Fisher in Frankfurt

Germany's programme to boost growth through spending cuts, welfare restructuring and tax changes ran into fresh trouble yesterday when the prime ministers of the 16 federal states or Länder rejected Bonn's tax plans as one-sided and unfair.

In a statement that crossed party lines, state leaders from the opposition Social Democratic party (SPD), Chancellor Helmut Kohl's Christian Democratic Union and the CDU's Bavarian sister party, the Christian Social Union, said the tax plans for 1997 onwards would ease the burdens of the federal government at the expense of the Länder and local authorities.

The statement, issued after a special two-day meeting, spoke of a "dramatic deterioration" in Germany's public finances.

It was issued as Mr Kohl appealed to trade unions to avoid conflict after a weekend of warnings by union leaders of widespread industrial action over the government's proposals. Mr Dieter Schulte, head of the German trade union federation (DGB), warned of "a hot summer" of industrial action.

Ms Heide Simonis, SPD prime minister of Schleswig Holstein, who chaired yesterday's meeting of Länder leaders, insisted that the premiers were not creating a united front against the government's programme, which was decided last month and is intended to enhance employment and modernise the economy.

But their unanimous objection to the tax changes means Mr Theo Waigel, the German finance minister, will have to revise his proposals if he is to secure their passage through the Bundesrat, the second chamber of the Bonn parliament, which represents the states.

The federal measures include plans to scrap wealth tax, reform inheritance tax and cut the "solidarity surcharge", used to help finance eastern Germany.

The premiers met against a background of growing financial crisis for Germany's federal and state governments and local authorities. Ms Simonis said federal, state and municipal revenues this year would be about DM25bn ($16.4bn) below a forecast of October last year.

For next year, the three levels of government can expect revenue shortfalls totalling DM71bn compared with estimates for 1997 published a year ago. The federal states expect a DM29bn reduction in revenues next year and the local authorities DM11bn, Ms Simonis said.

The revenue shortfalls will make it more difficult than before for Germany to qualify for European economic and monetary union. Mr Kurt Biedenkopf, the CDU prime minister of Saxony, said meeting the Maastricht criteria, which include a public sector deficit limit of 3 per cent of gross domestic product, would mean more budget cuts.

"We will have to negotiate with the federal government on the concrete measures needed to co-ordinate budget deficits," he said.

Ms Simonis said the state leaders supported a restructuring of Germany's social insurance systems and deep cuts in public spending. They agreed their finance ministers should prepare joint proposals for spending cuts to be discussed at a meeting with Mr Kohl on June 13.

In weekend speeches and interviews, trade union leaders said industrial action against the government's plans could escalate quickly, affecting airports, data processing centres, transport, rubbish collection and other services.

The comments were a clear warning to employers ahead of today's third round of public sector wage talks in which unions are claiming a 4.5 per cent pay increase. The employers are seeking a two-year freeze as part of the government's budget savings package.

Brussels cuts growth forecasts, Page 18

Lloyd's boosted by deal to halt US lawsuits

By Ralph Atkins in London

Lloyd's of London has made an important breakthrough in its attempt to head off legal action by US securities regulators.

Under a deal struck at the weekend in California, litigation which could have undermined the insurance market's recovery plan has been shelved.

The "standstill agreement" with the California Department of Corporations, the state's securities regulator, removed a threat against $10bn held in trust to support US underwriting.

It also allows Lloyd's to resume contact with 500 Names in the state – previously blocked by the department. Lloyd's can now reopen negotiations on a possible out-of-court settlement of compensation for losses.

The deal is a further fillip for Lloyd's which last week won broad support from Names – individuals whose assets have traditionally supported the market – for a final, substantially improved, settlement offer worth £3.1bn ($4.7bn).

At the same time, the extra cost to Names of Equitas – Lloyd's proposed rescue vehicle – has fallen from £1.9bn to £1bn.

Equitas will take responsibility for billions of pounds of US asbestos and pollution-related liabilities.

Lloyd's had reached standstill agreements with securities regulators in 10 states, most recently Tennessee.

But California posed a problem because of the large number of Names in the state and the threat against the Lloyd's trust funds which could have hampered US trading. The securities regulators allege investment in Lloyd's was mis-sold.

Mr Peter Lane, Lloyd's North America managing director, said the block on communicating with Californian Names had led to "considerable misinformation". "We are now able to set the record straight with our California Names," he added.

However, Lloyd's still faces problems caused by the intervention last week of the Securities

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Air France could be privatised by end of next year

By David Owen in Paris

The management of Air France believes the state-owned carrier could be privatised as soon as the end of next year, or early 1998.

This latest indication of the possible timing of a sell-off emerged last week as the company prepared to unveil details of measures designed to improve the performance of Air France Europe, its domestic partner.

Mr Christian Blanc, Air France chairman, warned last month that Air France Europe would be insolvent in less than two years if nothing was done.

The proposals, to be unveiled on Wednesday, are expected to include a two-year pay freeze and shuttle services on important routes from next winter.

Air France Europe has been hard hit by increased competition from other French airlines since barriers were fully removed last year. Liberalisation will be further entrenched in April 1997 when airlines from other European Union countries are allowed unfettered access to the French domestic market.

Air France is also waiting to hear whether the European Commission will allow it to receive the third and final tranche of a FFr20bn ($3.89bn) state aid package. Other European airlines, including Lufthansa and KLM, have complained that Air France is using state aid money to fund cuts in air fares.

It is almost three years since the French government included Air France – previously regarded as a sacred national institution – on a list of 21 public sector companies earmarked for privatisation. The need for extensive restructuring, however, meant the airline was always expected to be among the last of these groups to be sold.

After cumulative losses of FFr15bn since 1991, the company's position is showing signs of improvement. It recently disclosed that it had reduced net losses before restructuring costs to less than FFr1.2bn in 1995-96, and hoped to cut this to FFr115m in 1996-97. The figures excluded Air France Europe.

A scheme under which about one-third of Air France's employees in early 1995 agreed to a reduction in salaries in return for shares in the company was based on a valuation of about FFr3.6bn for the airline. But analysts said at the time this was not a meaningful guide to a possible privatisation value. Employees must hold their shares until mid-1998.

Mr René Monory, president of the French Senate, last month urged the government to double its 1996 privatisation target to take advantage of the recent strength of the stock market.

The leaders of Egypt, Jordan and the Palestinians agreed in Cairo yesterday to co-ordinate their efforts in support of a regional peace settlement. In a joint statement they said that despite the recent escalation of violence in Lebanon and Israel, peace remained a "strategic objective".

Egyptian president Hosni Mubarak (above centre) and Jordan's King Hussein (right) underlined their support for Yassir Arafat and the Palestinians, who began negotiations with Israel on the "final status" of their territories this month. Report, Page 4 Picture: Reuter

India's Congress party keeps Rao and moves to block BJP

By Shiraz Sidhva in New Delhi

India's defeated Congress party yesterday unanimously re-elected caretaker prime minister P.V. Narasimha Rao as party leader and supported moves to form a coalition government to prevent Hindu nationalists taking power.

Congress deputies instructed Mr Rao to open talks with the National Front-Left Front (NF-LF), a coalition of centre-left and socialist parties, with a view to preventing the Hindu right-wing Bharatiya Janata party (BJP) taking power for the first time. The BJP emerged as the largest party in last week's general elections but fell short of an outright majority in a hung parliament.

Both the BJP and the NF-LF have told President Shankar Dayal Sharma they will have enough support from allies to form a government. The president will decide which party is best capable of forming a government next week.

Politicians from all over the country converged on New Delhi yesterday to discuss the formation of a new government.

The BJP and its allies have won 180 out of 514 seats for which results have been declared so far (results in 29 seats have yet to be declared, while polling is yet to begin for seven more seats in Kashmir), making it the single largest party. But it will have to prove it has the support of nearly 100 more MPs to form a government. This may be difficult as the BJP are political "untouchables" for most secular parties.

The NF-LF a combination of secular and regional parties, which has 99 seats, has also staked its claim to form a government. It is determined to keep the BJP out of government, and is hoping that Mr Rao's Congress party will support it. The NF-LF has said the BJP must be kept out of power at all costs because of its perceived bias against India's minorities, especially its 110m Moslems.

The Congress party, which suffered its worst defeat since 1947, with only 134 seats, spent the weekend trying to salvage its 111-year-old organisation from total disintegration. Mr Rao, who resigned as prime minister on Friday and was largely blamed for the defeat, was re-elected the Congress parliamentary party head, contrary to rumours that he would face a further revolt within the party and a challenge to his leadership.

Mr K. Karunakaran, a senior Congress party leader, said the Congress would support the formation of a "secular" government to keep the BJP away from power. "The Congress party has decided that the new government will be made up of secular MPs," party spokesman Ved Prakash said.

Mr V.N. Gadgil, spokesman of the Congress, reiterated that the party would have "no truck with the BJP, because it was clear that 80 per cent of the people had voted for secular parties". He added that the party had yet to decide how exactly to ally with other like-minded parties.

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Rome presses on as northern clouds gather

By Robert Graham in Rome

The long process of forming a new Italian government in the wake of the April 21 general elections will be concluded this week.

Mr Romano Prodi, the Bologna economics professor, is expected to be sworn in as head of the country's first centre-left government on Saturday. At the weekend Mr Prodi named two close advisers who would be accompanying him to the prime minister's office at *Palazzo Chigi. Several key ministers* are already known.

The incoming government was given a rude reminder yesterday of the most politically sensitive issue on the agenda.

From the northern city of Mantua, Mr Umberto Bossi, leader of the populist Northern League, announced the formation of an 11-member government of Padania, accompanied by a 10-strong "Padania provisional liberation committee" covering *Emilia, Romagna, Liguria*, Lombardy, Piedmont and the Veneto.

This defiant move by Mr Bossi could cause more trouble *for the League* leader in the courts for subverting the institutions of state.

The Padania Government, headed by Mr Giancarlo Pagliarini, a former budget minister, can have no legal status within the Italian state; but Mr Bossi made clear he intended it to shadow the *activity of the* central government in the short term, and had no specific brief to prepare for secession.

The move underlined the *difficulties that Mr Prodi* and his team face in defusing resentment in the north, especially the Veneto, against the central government in Rome.

From the outset the northern issue threatens either to destabilise the new government or interfere with its agenda.

Formal consultations by President Oscar Luigi Scalfaro on forming the new government will begin once the parties have agreed the composi*tion of all the parliamentary* commissions and of the voting groups in both the senate and chamber of deputies. The latter process is expected to be complete by mid-week.

Mr Prodi has said he hopes that once asked to form a government, he will be ready within 48 hours.

His economic team is expected to be headed by Mr Carlo Azeglio Ciampi, the former prime minister and long-time governor of *the Bank of Italy*, and to include Mr Beniamino Andreatta, an ex-Christian Democrat economist with extensive ministerial experience, and Mr Vincenzo Visco, the economic spokesman for the Party of the Democratic Left (PDS).

The appointment of Mr Ciampi, even though he did not stand for parliament, has a dual purpose. It will give a strong signal on the government's commitment to European integration and privatisation, and will balance the weight of Mr Lamberto Dini, the outgoing premier, at the *foreign ministry. Mr Dini has* apparently been denied his wish to be deputy premier under Mr Prodi.

Mr Prodi has won a small battle by preventing the PDS from placing the PDS leader's closest political aide in the prime minister's office.

Over the weekend he announced that Mr Enrico Michel, director general of Iri, the state holding company which Mr Prodi twice headed, would be in charge of the prime minister's office along with Mr Arturo Parisi, a Bologna academic colleague.

EUROPEAN NEWS DIGEST

Paris-Bonn link faces key test

The new pledge by French and German leaders to quicken the pace of their co-operation, particularly on defence, meets its first test today when France unveils its military programme for the next five years.

At a working dinner in Bonn on Friday, President Chirac and Chancellor Kohl held "a detailed discussion on all aspects of defence and security policy", according to a German official, who said the two leaders "agreed on all topics discussed".

One aim of the dinner was for Mr Chirac to brief Mr Kohl on the 1997-2002 military programme, which will be endorsed by the French cabinet and presented to parliament today. German ministers fear French cuts will bear heavily on Franco-German helicopter projects. A French official hinted, however, that Paris might seek to remedy some early cuts in future years.

The French government has already announced an overall annual cap of FFr185bn in 1995 francs for defence spending up to 2002, with equipment spending limited to FFr86bn of that amount. Mr Chirac and Mr Kohl agreed in Bonn to step up their consultations by meeting on average every six weeks. They will next meet on *June 5 for the Franco-German summit* in Dijon. *David Buchan, Paris*

Prague to revoke bank licence

The Czech National Bank will today revoke the banking licence of Prvni Slezská Banka (First Silesian Bank), the latest casualty of the crisis in the country's small bank sector, after what the central bank said were "shortfalls" in the troubled institution's activities.

The CNB, which has already intervened to save two other troubled banks this year, said a big state-controlled bank, Ceskoslovenská Obchodni Banka, would assume the liabilities of Prvni Slezská. CSOB is making compensation payments for insured deposits from the resources of the Czech Deposit *Insurance Fund and is also settling* uninsured deposits.

Prvni Slezská, based in Opava in the north-eastern region of Silesia, has 3,000 customers and deposits of about Kč1bn ($36m), but its loan portfolio is understood to be considerably larger than its capital base. *Vincent Boland, Prague*

Czech telecoms meeting 'invalid'

SPT Telecom, the Czech national telephone operator, is to appeal against a court decision to declare invalid a *shareholder meeting that was* called to clear the way for last summer's sale of 27 per cent of the company to TelSource, a Dutch/Swiss consortium, for $1.45bn.

The ruling, on Friday by a Prague district commercial court, is a severe embarrassment for the Czech government. The *court said the February* 1995 meeting was invalid because the government did not have proper power of attorney over SPT's shares. The company was 74 per cent state-owned, with the rest held by domestic shareholders after coupon privatisation.

The case was brought by a group of those shareholders, angered at the exclusion of domestic bidders from the tender and at not being offered the opportunity to buy the new shares in the company issued to TelSource. *Vincent Boland*

Fresh tests for EU over joint foreign policies

By Bruce Clark, Diplomatic Correspondent, in Brussels

Foreign ministers from the European Union's 15 member states gather in Brussels today, amid growing doubts, both within the bloc and beyond, *about their ability to act* together in key areas of external policy.

The meeting takes place in the shadow of Franco-Italian rows over the *Middle* East, an angry exchange over proposals for a European peace force in Bosnia, and a Greek veto on an aid pro*gramme to 12 Mediterranean* states.

In a gesture of pre-electoral support to President Boris Yeltsin, the ministers will *endorse an "action plan" for* Russia, calling for aid to political and economic reform as well as co-operation in crime-fighting and security policy.

But ministers are aware of the limits of their ability to fine-tune events in Russia; while turmoil there could *throw the EU off course, the* EU's efforts to gain leverage over Moscow through aid and trade accords have fared poorly.

Mr Carl Bildt, the EU envoy to Bosnia, will also brief the 15 on his efforts to promote more moderate politicians in the Serb-held Bosnia, and on the *forthcoming elections* in the EU-administered city of Mostar.

But the discussion of ex-Yugoslavia will be overshadowed by *British, French* and German anger over the suggestion from Mr Hans van den Broek, the European Union's external affairs commissioner, that Europe organise a military mission in Bosnia in 1997.

The furious reaction to Mr van den Broek has highlighted European nervousness over the prospect of having to deal with Bosnia without US help, and it has also dealt a blow to the Commission's credibility as a player in security policy.

The EU's efforts to influence events in the Middle East have encountered even greater difficulty. Ms Susanna Agnelli, the outgoing Italian foreign minister, whose tenure of the EU's rotating presidency has been marred by political turmoil in Rome, has rebuked France *for* acting alone in the Middle *East*.

"The EU is more than ready to give France an active role in the Middle *East*, but as (a representative of) Europe," she *told her French counterpart*, Mr Hervé de Charette, last week.

Even worse problems lie ahead *for an EU plan to provide up to Ecu4bn ($5bn) worth* of aid to 12 countries in the Middle East and North Africa, which is currently held up because of Greek objections to the Turkish share.

> Europe is nervous at the prospect of dealing with Bosnia without US help

The prospect of a deadlock in EU economic ties with countries ranging from Morocco to Jordan has triggered a wave of irritation with Athens in *France, Spain and Italy – EU* members which have hitherto backed Greece on some issues.

Enduring ties between the *EU's leading* members have been underlined by last week's Franco-German summit, which reaffirmed the need for defence and security co-operation, and today's visit *to Britain* by French President Jacques Chirac.

But according to many observers in Brussels, the amount of business that is still done at these bilateral meetings has thrown into sharper relief the weakness of collective action by the European Union's 15 members or their common institutions.

Gorbachev resurrects glasnost banner

By John Thornhill in Moscow

Gorbachev launches his electoral programme at yesterday's press conference Reuter

Mr Mikhail Gorbachev, the last president of the Soviet Union who made *glasnost* a household word, yesterday raised the banner of openness once again. He appealed for more *objective* reporting of Russia's presidential elections as he launched his own electoral programme.

Claiming that the manipula*tion of the media by President* Boris Yeltsin's team was as great as in the Brezhnev era, Mr Gorbachev urged journalists to provide fair coverage of *every candidate's programme*, permitting democracy to flourish.

"I think the situation with media information is much worse *than in the years of* perestroika," he told a packed press conference. "*In fact*, we are watching a one-man show. We are watching the presiden*tial campaign of a single candidate.*"

Mr Gorbachev's comments echo complaints from other candidates that their messages *are being muzzled by the* media.

But as former head of the Soviet Communist party Mr Gorbachev appears to have been slighted by journalists *more than most. It clearly ran*kled that his visit to Volgograd (formerly Stalingrad) last week was overshadowed by Mr Yeltsin's presence.

Mr Gennady Zyuganov, the Communist party candidate, who is currently leading most opinion polls, has often complained about media bias. But *the Communist party can* count on solid support from several newspapers, such as Pravda and Sovetskaya Rossiya, and boasts 500,000 mem*bers, who can spread its mes*sage door-to-door.

The Central Electoral Commission also disclosed yesterday that Mr Zyuganov had raised more campaign finance *than any other candidate.* As of last week, Mr Zyuganov had raised Rbs1.48bn ($298,000) from individuals and companies compared with Rbs1.3bn *for Mr Yeltsin.*

Mr Gorbachev, who is languishing in the latest opinion polls with just 2 per cent of the vote, yesterday launched *his 10-point electoral pro*gramme to revive Russia. Styling himself as the father of Russia's democratic movement, he promised to pursue a *third way between capitalism* and reactionary communism.

He claimed Mr Yeltsin's reforms had benefited only 10-12 per cent of the population and his discredited team *needed to be replaced. He* warned that Russia's communists had not reformed along central European lines and remained a threat.

His programme included promises to end the war in Chechnya, reinforce property rights, and provide greater state support for culture, science and education.

In several respects, Mr Gorbachev's programme overlaps with that of Mr Grigory Yavlinsky, the presidential candi*date who heads the liberal* Yabloko movement, and threatens to split the democratic vote.

Heat turned up in dispute over industrial espionage allegations

VW in defamation suit against GM

By Andrew Fisher in Frankfurt

Volkswagen *has* turned the heat up further in its bitter dispute with General Motors over alleged industrial espionage by saying at the weekend it was *suing the US* company and Opel, its German subsidiary, for defamation.

This follows the launch by GM and Opel in March of a US civil suit accusing VW, Germany's and Europe's largest car manufacturer, and Mr Ferdinand Piëch, its chairman, of fraud. It claimed that VW and Mr José Ignacio Lopez de Arriortúa – who defected from GM to VW three years ago – had stolen documents and data which they had then fed into their own computers and destroyed.

VW said at the time that the suit had no basis in fact and that it would apply for it to be dismissed. *It said GM had* presented no new evidence. The complaint was filed in a Detroit federal court under US anti-racketeering legislation. *Mr David Herman*, Opel's chairman, said the acts it was complaining about had led to "considerable financial damage" for Opel and GM and threatened jobs in Germany.

VW's sharp response, in the form of a damages suit filed in a Frankfurt court, is aimed at preventing GM from making *what the German group calls* defamatory statements.

The German company said comments made by GM and Opel, a major domestic competitor to VW, at the time of the civil suit were "part of a systematic campaign carried out over three years to harm the reputation of Volkswagen, its operations, and employees".

The recent allegations by GM and Opel of a "comprehensive criminal conspiracy" carried out by VW. Mr Lopez and the seven former employees who moved over with him from GM in 1993 had no basis and went "far beyond anything which is acceptable in competition", VW added. *It said the US* group should either prove its allegations or withdraw them and pay compensation.

VW is believed to be seeking *a figure several times the* DM10m ($6.5m) damages figure formally mentioned in the suit. It will give more details today.

The more aggressive tone adopted by *VW reflects the* recent appointment as board member responsible for press relations of Mr Klaus Kocks, formerly of the Ruhrgas utility. *Mr Klaus Liesen, the head of* Ruhrgas, also chairs VW's supervisory board.

Bosnia polls will not be free and fair says OSCE

By Harriet Martin in Sarajevo

The organisers of the Bosnian *elections, due by mid-September*, believe they will not meet the international definition of free and fair because the complex administrative process *cannot be completed in time.*

An internal report by the Organisation for Security and Co-operation in Europe concludes that the electoral administration cannot be completed before November.

Mr John Kornblum, the US assistant secretary of state designate, who visited Bosnia last week, is understood to have dismissed the possibility of delaying the elections beyond the September 14 deadline set under the Dayton peace agreement.

One Western diplomat said: "The Americans are interested in seeing this part of the Dayton accord fulfilled and that means having the elections in September."

Under the accord all refugees have the right to return home. Elections require freedom of movement and a free media for this to happen. Diplomats believe neither of these condi*tions will be met in time.*

Next month Ambassador Robert Frowick, head of the OSCE mission in Bosnia, has to certify formally that the conditions exist for elections to be held by September 14.

Officially he has not made up his mind, but it is understood that he will say they do.

Last week, at a meeting in Vienna of the permanent council of the OSCE, Mr Frowick made an effort to lower expec*tations about electoral conditions.*

"These elections are going to be difficult and imperfect," he said. "They are going to be the *most difficult elections held in* history."

The registration of parties and individuals is under way but a date for the registration of voters has not yet been set. As many as 40 per cent of the electorate – about a million – will vote from abroad, and a similar number are displaced in Bosnia.

The 1991 census will be used as the basis for the elections, so as not to recognise the so-called ethnic cleansing during the war. But because the parties are refusing to allow refugees to return home, the municipal councils elected in September may comprise people who live far from the towns concerned.

A senior western diplomat admitted this was one of the many problems which had not been resolved, but said conditions for elections were "decent enough," though imperfect.

He admitted it had proved impossible to ensure the updating of the electoral registers. As many as 5 per cent of the population had been killed in the war, but it might be impossible to ensure they did not "vote" in these elections.

"We've resigned ourselves to the *fact* that the dead will vote," he said.

Spain may take sharper knife to public spending

By David White in Madrid

Spain needs to slash government spending this year by a further Pta400bn ($3.15bn) – twice as much again as the cuts already announced by the new centre-right administration – in order to meet its deficit target, according to the head of its newly created budget office.

Mr José Barea, a 73-year-old economics professor appointed last week to vet public expenditure, *told the newspaper El País* that the Pta200bn cuts agreed by the cabinet on Friday would not be enough.

Extra savings of more than Pta400bn were needed to make up for a higher-than-expected shortfall in the social security budget, he said.

His remarkably outspoken warning came as Mr José *María Aznar*, the prime minister, *insisted that the public* sector deficit could be reduced without affecting social benefits such as pensions.

In an interview with the *daily El Mundo, Mr Aznar said* Spain's preparations for joining the European single currency were "a national objective". He added: "The priority is reducing the deficit while maintaining social aims."

Spain hopes to cut its public sector deficit from 5.8 per cent of gross domestic product last year to 4.4 per cent this year and 3 per cent in 1997 – the *qualifying level* for the single currency.

Mr Barea, who is politically independent, said the government would have to make a *greater effort to contain* current spending and start tackling the question of subsidies for state companies.

"Privatisation should begin straight away, but not only of profitable companies," he said. Many companies were making losses because of bad management and could be profitable in the private sector, he said. If they could not be sold, he added, "then they close, and that's it." Loss-making state companies include railways, shipyards, coal mines and arms factories.

Spain could meet the 3 per cent deficit target next year "if things are taken seriously," he said, warning that the government could not afford to "bury its head under its wing" over the social security problem.

He ruled out a lowering of taxation this year or in 1977 if the country was to meet its targets, although there was room to restructure the current tax rates. Taxes might even have to go up if early budget measures were not taken. He warned that the spending curbs might mean freezing civil service pay next year.

Budget calculations have been upset by a slowdown in economic growth, which according to the Bank of Spain slipped to 2 per cent in the first quarter, compared with the same 1995 period, from 2.6 per cent in the previous quarter.

However, the central bank said Spain still showed more sustained growth than most European countries and could receive a boost from recent cuts in interest rates.

The jobs outlook brightened somewhat with an unexpectedly sharp fall of 70,670 in the number officially registered as unemployed in April, to 2.33m or 14.85 per cent of the active population.

An El País opinion poll meanwhile showed a large measure of confidence in the Aznar cabinet but less in its ability to cut unemployment.

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Retirement age to be raised as mounting costs force an overhaul of pensions system

Hungary set for pain of welfare reforms

By Virginia Marsh in Budapest

Hungary's Socialist-led government will soon submit to parliament the first of its proposals for a radical overhaul of the country's pensions system, one of the most pressing reforms the state still faces.

It is to introduce legislation, possibly this week, to raise gradually the retirement age to 62, starting in 1998, an increase of seven years for women and two for men.

At a marathon cabinet meeting last week, it also agreed on a new concept for pensions and set out a timetable for health, education and tax *reforms.*

The Socialist-Liberal coalition government, which took office nearly two years ago, had long promised to announce reform plans for the public finances and the country's troubled welfare system, one of the most extensive in the world.

In particular, the state has faced mounting costs from health and pensions, which are run by two semi-independent funds that have required more than Ft200bn ($1.4bn) – equivalent to about 3 per cent of annual gross domestic product – in bailouts in the past five years.

The International Monetary Fund delayed granting Hungary a new standby loan until it agreed to limit the funds to a deficit of Ft17.8bn this year.

In spite of last week's meeting and months of debate, the cabinet has yet to agree on many details of the planned *reforms.*

The government has privatised several of the country's largest companies, and last year introduced a tough austerity package.

But analysts say it must press ahead with other unpopular structural changes such as *welfare reform this* year before the ruling parties turn their attention to winning the 1998 general elections.

The cabinet aims to prepare legislation by the autumn for a "three pillar" pension system for the under-40s – a minimum pension supplemented by further payments based on individuals' contributions and voluntary, private pension funds, which have already begun to appear – which would take effect from 1998.

Those over 40 could choose to stay in the present system.

Mr Peter Medgyessy, the finance min*ister, said the new scheme would* require a Ft70bn start-up loan but the changes were necessary to overcome the problems caused by Hungary's ageing population and the high cost of the present scheme.

At present all those who have paid *contributions* for 20 years or more are eligible for a state pension based on their final year's salary.

Taxes and the level of compulsory contributions are so high that relatively *few Hungarians have had the resources* to take out private pensions.

Mr Gyula Horn, Socialist prime minister, pledged to reduce the highest income tax bracket, at present 48 per cent, and to restructure the tax system from next year.

The cabinet, which recently decided to eliminate 10,000 hospital beds, also allocated extra subsidies for medicines at last week's meeting.

It deferred other decisions on health reforms until the autumn but unveiled a new strategy for education, including a proposal to lift the minimum school leaving age to 18 and new training *requirements for teachers.*

NEWS: WORLD TRADE

Ramos hopes to see fast growing markets move towards free trade

Manila seeks to spur Asian tariff reform

By Edward Luce in Manila and Guy de Jonquières in Kuala Lumpur

The Philippines is seeking to persuade the six other members of the Association of South-East Asian Nations to extend unconditionally to the rest of the world tariff cuts which they have agreed to make on trade with each other.

President Fidel Ramos hopes to win the support of his Asean partners for the idea in time for the next summit of the 18-member Asia-Pacific Economic Co-operation forum, which he will host in Subic Bay in November.

If accepted, the initiative would accelerate liberalisation of some of the world's fastest growing markets and increase momentum behind Apec's plan to free trade and investment in the Pacific rim region by the year 2020.

"Presenting a unilateral Asean initiative in November would not only bring the Philippines political kudos for its leadership," said Professor Julius Ceasar Parreñas, trade policy adviser to the Philippine government. "It would also send a strong message to the rest of the world that developing countries are cutting tariffs of their own accord, at a time when much of the west is dragging its feet."

Each Asean member has already agreed, as part of a free trade area plan, unilaterally to lower tariffs on trade with the others to an average of 5 per cent by 2003.

Mr Jesus Estanislao, senior Apec adviser to Mr Ramos, said his government now wanted the cuts extended to all trading partners on a Most Favoured Nation basis.

That would mean that Asean members would dismantle their trade barriers well ahead of the 2020 deadline set by Apec and even before 2010, when Apec's industrialised members are due to liberalise their markets fully.

Fidel Ramos: initiative

Mr Ramos's advisers point out that by 2003 there will be little difference between the level of tariffs on trade between Asean's members and the rates they impose on trade with the rest of the world.

Nonetheless, the initiative, being circulated among Asean officials as an informal "talking point", is likely to arouse controversy. Singapore, which already has some of the lowest tariffs in Asia, is expected to be sympathetic, but Indonesia and Malaysia appear more sceptical.

Mrs Rafidah Aziz, Malaysia's trade minister, said her government would consider the initiative seriously, but further study and discussion were needed if all Asean members were to endorse it.

"Maybe the Philippines can, maybe Malaysia can. But what about other Asean partners? We have to consider their difficulties," she said.

Officials in Manila said their government was willing to modify the idea after consultations with Asean partners. But they said Mr Ramos was unlikely to drop it and might decide to raise it personally with other regional leaders.

WORLD TRADE NEWS DIGEST

Airlines win US immunity

United Airlines of the US and Lufthansa of Germany yesterday said they had received preliminary anti-trust immunity from the US department of transportation, which would allow them to co-ordinate their operations more closely. The two airlines said they expected to receive final approval from the department later this month.

The announcement follows the conclusion of an "open skies" agreement between Germany and the US earlier this year, lifting restrictions on flights between the two countries. Lufthansa and United said they would co-ordinate their routes, schedules, advertising and marketing more closely.

Washington has been pressing for open skies accords with EU members, holding out the promise of anti-trust immunity to airlines from countries with which it reaches agreement. Germany was the first large EU country to conclude an open skies deal. The United and Lufthansa application for anti-trust immunity was attacked earlier this year by British Airways; BA and USAir, its US partner, do not have such immunity. The British carrier has opposed a US-UK open skies agreement. *Michael Skapinker, Aerospace Correspondent*

Fresh mission for Unctad

The ninth United Nations Conference on Trade and Development has declared a new mission to champion the interests of developing countries on the world trade agenda.

The conference, which ended at the weekend, was held amid widespread criticism of Unctad's role in the development of world trade policy. Its future mission would be to promote economic policies, "complementing the logic of competition with the logic of solidarity," said Mr Rubens Ricupero, the organisation's secretary-general.

But little progress was made over the issue of African debt or US concern over compensation for the poorest countries, which had been agreed at the Uruguay Round of trade talks.

Unctad also recognised the link between trade policies and foreign investment for the first time, and resolved to examine options for a multilateral framework on foreign direct investment in countries marginalised by the liberalisation of world trade. *Mark Ashurst, Johannesburg*

Polish telecoms tender awarded

Ericsson and Siemens have won a tender to supply equipment to a consortium developing a cellular telephone network in Poland. PAP news agency said the two companies would supply base stations, base controllers and other equipment to Polska Telefonia Cyfrowa (PTC), which earlier this year was awarded one of two licences to build a cellular network using the digital GSM system.

PTC earlier said it would invest about $1bn by the year 2000 to build the network and that it would launch operations in several big cities this year.

PTC's foreign partners are US West and DeTeMobil, part of Deutsche Telekom, which each hold 22.5 per cent stakes. The consortium developing the second GSM network, Polkomtel, picked Nokia last month as its equipment supplier. Poland at present has one cellular telephone operator, Centertel, which uses an older analogue system. *Reuter, Warsaw*

■ French cranemaker Caillard, acquired by Rolls-Royce in January, has won two orders in China worth a total of £9m ($13.7m).

One is for two sets of grabbing ship unloaders for the Yangzhou No 2 power station in Jiangsu province, the other for a bucket wheel stacker reclaimer and conveying system for the Luohuang power plant in Sichuan province. *Chris Tighe*

Emerging nations power world vehicle sales

By John Griffiths in London

Surging demand in Latin America, India, China and the Asia-Pacific region will lift annual world sales of cars and light trucks by nearly 25 per cent – to more than 58.5m units – by the year 2001, according to the latest forecast from industry consultants DRI/McGraw-Hill.

Latin America, in particular, will see spectacular growth in both sales and production, with Brazil's output of cars and light trucks, for example, more than doubling within a decade to exceed the 2m level by early next century.

These developments in the emerging nations will more than compensate for the relative lack of growth in the mature markets of Europe and North America, DRI says.

It is taking a slightly more optimistic line than some industry analysts in forecasting that west European sales of cars and light trucks will rise 4 per cent this year against 1995, to reach 13.8m units – within which car sales are forecast to climb 3.7 per cent. However, at least a third of car sales growth will result from short-term measures to stimulate economies, and sales will fall again next year as conditions for EU monetary union force governments to tighten fiscal policies.

FORECASTS OF NEW VEHICLE SALES* (000s)

	1995	1996	1997	2001
World total	47,709	49,466	51,592	58,503
North America**	16,030	16,193	16,462	18,078
Japan	6,570	6,900	7,208	7,031
Western Europe	13,251	13,778	14,221	16,104
Germany	3,484	3,596	3,666	4,081
France	2,235	2,292	2,340	2,600
UK	2,124	2,211	2,298	2,390
Italy	1,822	1,873	1,948	2,369
Spain	990	1,073	1,146	1,206

*Cars and light trucks **US, Canada and Mexico Source: DRI/McGraw-Hill

The overall picture for Europe will be brightened by accelerating growth in central and eastern economies, as market liberalisation improves conditions in countries such as the Czech Republic and new, more modern vehicle manufacturing projects take root.

Production in west Europe has been outperforming sales as a result of strong exports to Latin America and Asia, rising Japanese "transplant" output, and Japanese imports losing ground to revitalised European manufacturers. But exports are coming under pressure as local output builds up in developing countries and so west Europe's production will lag behind sales this year and next.

DRI sees marginal growth – of just 0.3 per cent – for North America this year, with car sales continuing to decline and those of light trucks rising slightly. However, "by 1997 the US light vehicle market will be in recovery mode", with sales rising from 16.5m in 1997 to 18.1m by the year 2001. Production will be slower to benefit as the region is over-stocked with vehicles.

Substantial structural change is also forecast for west Europe's markets, with sales of mini or "city" cars, such as Fiat's Cinquecento, predicted to soar to 1.5m units by the turn of the century.

DRI also predicts a high-risk period for the proliferating number of multi-purpose vehicles in Europe's market. It expects total demand to peak at 450,000 units a year, after achieving 60 per cent growth this year to 350,000 units. Manufacturers have been gearing production strategies to 550,000-600,000 a year.

World Car Industry Forecast Report, DRI/McGraw-Hill, 1 Hartfield Road, London SW19 3RU. £3,800

HK authorities smash CD piracy syndicate

By John Ridding in Hong Kong

Hong Kong customs agents yesterday claimed a victory in their war on copyright piracy by smashing a cross-border syndicate and seizing a record haul of counterfeit compact discs.

The move comes amid an escalating row between the US and China over the protection of intellectual property rights. The US has given China until Wednesday to demonstrate enforcement of a 1995 agreement aimed at stamping out piracy of US products and has threatened sanctions on $3bn-worth of Chinese imports.

Washington is also concerned about Hong Kong's role as a distribution centre for counterfeit goods from China. Its annual Special 301 report on US trade action, published earlier this month, noted the problem was growing and urged Hong Kong to act decisively against retailers, wholesalers and investors involved in counterfeit products.

However, the report did not include the territory in the most serious 301 categories. The US said it would review Hong Kong's position on copyright protection in six months.

Customs officials claimed yesterday's actions demonstrated Hong Kong's commitment to tackling the problem of cross-border counterfeit trade. They said they had seized 60,000 pirated copies of video and computer compact discs worth about HK$3m (US$390,000).

According to Mr Calvin Leung, acting head of Hong Kong's intellectual property investigation bureau, 20,000 counterfeit compact discs – declared as textiles – were seized as they were being smuggled into Hong Kong by truck from China. A further 40,000 pirated CDs were seized at a warehouse in the territory. Three arrests were made, and the customs office said it had sufficient information to locate the syndicate's mastermind.

Excluding yesterday's seizures, the Hong Kong customs department said it had "neutralised" 16 pirate disc outlets so far this year and had made 33 arrests. The value of the 84,000 counterfeit products seized since the beginning of January is estimated at HK$4.8m.

Referring to US concerns on the colony's role as a distribution centre for pirated goods, Hong Kong officials cited several steps that are being implemented. Maximum penalties for copyright pirates were increased last year, while the territory's legislature last month passed provisions which broadened the definition of intellectual property rights offences.

Peres seeking poll support from Israel's Arab parties

By Mark Dennis in Jerusalem

Mr Shimon Peres, Israeli prime minister, yesterday met delegations from Israel's Arab parties in what participants said was a positive effort to shore up vital Arab support in the May 29 general elections.

Although no agreements were reached to regain their backing, lost after Israeli gunners massacred more than 100 people in the southern Lebanese village of Qana last month, analysts say Mr Peres is likely reach a *modus vivendi* with the parties this week.

The Arab vote, 12 per cent of the electorate, is crucial for Mr Peres, the Labour party leader, in his tight prime ministerial race with Mr Benjamin Netanyahu, the rightwing Likud leader. Current polls put Mr Peres four to five points ahead with less than three weeks until election day.

In general, the 450,000 eligible Arab voters overwhelmingly support Mr Peres and his peace policies. One poll last week said 94 per cent would vote for him. But, thanks to recent hawkish policies, he cannot count on the entire Arab vote and needs the backing of the small but influential Arab parties.

Leaders from three parties met Mr Peres and several key ministers separately throughout yesterday to present demands, ranging for more equality for Israel's Arabs to withdrawal of Israeli forces from the West Bank town of Hebron, to get their official support.

"The atmosphere was good, but we didn't agree to support him," said Mr Hashem Mahameed, a member of Knesset from the former Communist party. But in a nod to the need for the Arab parties to back Mr Peres, he said: "We will do whatever it takes to ensure [Mr Netanyahu] does not get in."

Mr Peres's hawkish policies, designed to woo the centrist "floating vote" among Jews, have created dismay and anger among Arabs. These include blockades of the West Bank and Gaza in the wake of a string of suicide bombings earlier this year.

More important, though, was last month's Operation Grapes of Wrath. The 17-day bombardment of Lebanon, which Israel said was to stop rocket attacks on northern Israel from Hizbollah, the Lebanese Islamist guerrillas, resulted in the Qana massacre and fury among Arabs in Israel. Even if an agreement is reached, some Labour party supporters fear that the massacre and subsequent negative propaganda may create apathy among Arabs, leading to lower voter turnout and fewer votes for Mr Peres.

Consequently, Mr Peres's party is urgently campaigning among the Arab population, centred in the Galilee in northern Israel.

Mr Peres met 200 Arab businessmen on Saturday and is scheduled to meet leaders from the Galilee tomorrow.

● Tensions in southern Lebanon have hit their highest point since Operation Grapes of Wrath ended more than two weeks ago. Hizbollah guerrillas wounded five Israeli soldiers yesterday in two separate attacks; Israeli jets responded by blasting suspected Hizbollah bases north of its self-declared security zone. Hizbollah has vowed to continue battling the Israeli occupation of southern Lebanon, which is allowed under the US-brokered agreement that ended the Israeli operation on April 27.

Mideast peace still strategic objective, say leaders

By James Whittington in Cairo

The leaders of Egypt, Jordan and the Palestinians agreed in Cairo yesterday to co-ordinate their efforts in support of a regional peace settlement. In a joint statement they said that despite the recent escalation of violence in Lebanon and Israel, peace remained a "strategic objective".

Egyptian President Hosni Mubarak and Jordan's King Hussein underlined their support for Mr Yassir Arafat and the Palestinians, who began the long and sensitive negotiations with Israel on the "final status" of their territories this month in the Egyptian resort of Taba. They also agreed to meet again in the first week of June to assess the result of Israeli elections on May 29.

The three-way summit, which has been due to take place since February, comes three days after separate talks between Mr Mubarak and King Hussein in Cairo which are believed to have helped calm some of the tension between Jordan and Mr Arafat.

Under intense pressure to stop attacks on Israelis by Islamic militant supporters of Hamas, Mr Arafat had complained recently that members of Hamas were still active in Jordan. Yesterday, King Hussein re-affirmed an earlier commitment that Hamas would not be allowed to use his kingdom as a base for hostile actions. "We do not have any other motives but to work for peace for the Palestinians," he said.

King Hussein has also long been at loggerheads with Mr Arafat over the future status of Jerusalem. Last week, he said the holy city should be outside any sovereignty. Pressed by reporters on the issue yesterday, he said Arab East Jerusalem rightfully belonged to the Palestinians but the city should also be a symbol of Arab-Israeli peace. In contrast, Mr Arafat repeated his view that Jerusalem should be the capital of an independent Palestinian state.

On hopes of a wider regional settlement, Mr Mubarak said that whatever the outcome of the Israeli elections, he would be pushing for progress on all sides. He doubted whether Syria and Lebanon would be able to reach a peace agreement with Israel by the end of this year, partly because November's US presidential elections would leave little time for Washington to focus on Syrian-Israeli relations.

Israeli soldiers wounded in Lebanon, the first since the April 27 ceasefire, are landed back in Israel after two Hizbollah attacks at the weekend Reuter

INTERNATIONAL NEWS DIGEST

Crash raises air safety fears

The crash of a Valujet Airlines DC-9 aircraft in the Florida Everglades on Saturday has raised questions over safety at the discount airline, which is already being investigated by the Federal Aviation Administration. There were also concerns over the aircraft's Pratt & Whitney JT8D engines, which are widely used in civil aviation.

All 109 people on board the flight died when it turned back after take-off from Miami International Airport after the pilot reported smoke in the cockpit.

Valujet said it was premature to suspect anything wrong with the engines. An investigation into the crash is expected to take months to complete.

Valujet, based in Atlanta, Georgia, was set up in 1993 and expanded rapidly by offering cheap flights. Its fleet mainly comprises DC-9s more than 20 years old – the one that crashed was built in 1969. Mr Lewis Jordan, Valujet president, said at a press conference that the aircraft had been inspected regularly and was in good condition. *Maggie Urry, New York*

Private-sector Uganda foreseen

President Yoweri Museveni hopes that in his new five-year term the private sector will dominate Uganda and a large number of Ugandans will own stocks. Addressing the nation yesterday after being sworn in as president, the former Marxist guerrilla leader who seized power in 1986 hailed his country's economic recovery from chaos in the 1970s and 1980s.

"The next five years will be years of consolidation and movement. We cannot rest on the laurels of success," he said. "Our course of economic liberalisation has delivered and we shall maintain it. Government will continue with the growth of business – ie privatisation – and I hope that by the end of my term the private sector will be the dominant sector in the economy of our country." *Reuter, Kampala*

Accounting standards backed

Nearly 100 multinational companies and other organisations have made financial contributions in 1995 to help forge a set of accounting standards for use on the world's leading stock exchanges. The International Accounting Standards Committee, which is producing the code with the co-operation of IOSCO, the representative body for securities regulators, said in its annual report that it hoped to expand the assistance programme to cover more countries. Nearly 50 of the backers in 1995 were from the UK, 13 from the US, eight from France, and six from the Netherlands, plus the so-called Big Six global accountancy firms. Companies contributing include Marks & Spencer, Unilever, ICI, Renault, Shell, General Electric, Texaco, AT&T, and BellSouth. *Jim Kelly, London*

Atlantic declaration signed

Leading conservative figures from the US and Europe yesterday signed a Declaration of Atlantic Principles aimed at boosting political, security, trade and cultural ties across the Atlantic to counter "isolationism and introspection" in the aftermath of the collapse of communism.

The declaration calls for rapid expansion of Nato and the European Union to include some new democracies in central Europe, a merger of the EU with the North American Free Trade Area to create a Transatlantic Free Trade Area, and a renewed commitment to liberal democracy.

It was signed after a weekend conference in Prague attended by right-wing political, academic and business leaders from the US and western and central Europe. It was organised mainly by the American Enterprise Institute, a conservative US think tank. *Vincent Boland, Prague*

A two-tier infobahn

Uneven technological growth may split the world into haves and have-nots, reports **Paul Taylor**

Ministers from 42 countries, including the Group of Seven leading industrial nations and 32 developing countries, meet in South Africa today to try to resolve concerns that uneven technological growth could lead to a two-tier world of information "haves" and "have-nots".

The Information Society and Development Conference promises a lively dialogue. The developing nations are anxious not to be bypassed by the rapid growth of the Internet and the "information superhighway". The developed nations are keen to win infrastructure and other contracts in the developing world, but are disinclined to help foot the bill.

The conference has been organised in the wake of the G7 meeting in Brussels 15 months ago which emphasised the need for all countries to be integrated into what has been dubbed "the Global Information Society".

However, as the conference background paper prepared by South Africa notes, "while we speak of a 'global' information society, the present reality is daunting.

"The technology gap between the less developed and industrialised countries is widening, a situation which must be redressed by the world community to further the development of the global information society. Establishing a viable information infrastructure and the development of an enabling environment are important pre-conditions for closing this gap."

Indeed, so far the information revolution has been mainly confined to those nations, mostly in the west, which have well established telecommunications networks, established computer infrastructures and well educated populations.

For example, while the vast majority of the over 40m Internet users are in North America and western Europe, most people in developing countries still do not have access to an ordinary telephone line.

Nevertheless, western politicians such as Mr Ian Taylor, Britain's minister of science and technology, argue that new and relatively low-cost technologies such as satellite and mobile telephony, which do not require expensive fixed links, can help fill the infrastructure void.

He says his aim will be to explain that, while technology can reach all countries, "it will reach first those countries that provide a healthy investment climate, a stable regulatory approach encouraging new entrants into the market, and a positive attitude to the flow of information."

Unless these three criteria are met, he argues, there is less likelihood that the information society will penetrate developing countries. "I therefore hope to avoid accusations in South Africa that this is a battle between the haves and have-nots and that the haves should somehow themselves extend the information society to those developing countries.

"This has got very little to do with state aid, and a very great deal to do with setting private-sector investment free to do what they can do efficiently and profitably, which is to carry information to and from countries around the world."

Nevertheless, like his G7 counterparts, Mr Taylor does accept that financial and technical aid may be necessary in some countries. "There are infrastructure problems in some countries, and I am not saying there won't be any assistance."

However, the developed nations are keen to emphasise that such aid should be multilateral and directed through organisations such as the Infodev project managed by the World Bank, which provides advice and assistance to developing countries on the broad field of information technology.

Given the shortage of investment capital, investment funds will inevitably flow to those projects which appear to provide the best returns. For this reason alone, some multilateral funding will undoubtedly be required if the global information society is to become anything more than a dream.

Even before the conference begins, officials accept that it is unlikely to produce any striking new initiatives. The developing countries will be encouraged to join the 11 pilot projects, covering areas such as education, set up by the G7's Brussels conference and are expected to suggest a few of their own.

However, while the question of who should fund the growth of the information society is likely to dominate the two-day South African conference, developing countries also have other concerns about the dawning information age.

They are worried particularly about the impact of the predominantly American content carried on the information superhighway. As one foreign correspondent noted: "They want the technology, but not on western terms."

Internet users 'likely to reach 500m by 2000'

By Paul Taylor in Paris

The number of worldwide Internet users will soar to perhaps 500m by the end of the decade, from less than 60m today, according to Mr Christian Thommessen, vice president of IBM's network computing operations in Europe, the Middle East and Africa.

Mr Thommessen, speaking over the weekend at the fifth International World Wide Web Conference and exhibition in Paris, organised by the Institut National de Researche en Informatique et en Automatique (INRIA), France's national computer research laboratory, said he expected 100m computers and 1m networks to be connected to the Internet by the end of the decade.

"Internet traffic will probably exceed voice telephony by then," he said, and predicted that the value of transactions conducted over the Internet would mushroom from $400m last year to $1,000bn as concerns about security eased.

"The Internet is moving from a subsidised utility structure through an information exchange to a full-blown electronic marketplace," he said. Within five years, the Internet would be "the world's largest, deepest, fastest and most secure marketplace".

The senior IBM executive, concluding workshops sponsored by the European Commission, noted that the demographic profile of Internet users was also changing rapidly, reflecting its transformation from a mainly academic network into a business tool.

For example, the average age of Internet users has increased from 31 to 35 years in the last six months, more than 20 per cent of users are categorised as high income earners, and 35 per cent of business managers are already connected to the net.

Like other speakers during the five-day conference, Mr Thommessen urged businesses to seize the opportunity presented by the Internet and the Web – the graphical part of the Internet – in particular. "We have continuously underestimated the Internet," he said. "The Internet is a tidal wave that won't go away."

Speakers at the conference included Mr Tim Berners-Lee, who conceived the Web in the early 1990s a means of disseminating research information throughout the Geneva-based European Laboratory for Particle Physics (Cern). Since then, interest has soared, turning it into the fastest growing and most dynamic segment of the Internet.

As Mr Jean-François Abramatic, chairman of the conference, noted: "Nowadays children browse through the Web looking for the lyric of their favourite songs; high energy physicists share the results of their costly experiments; newspaper owners wonder whether their business is in danger; and stock markets roar anytime a piece of Web-related software comes out on the Net."

Microsoft's big investment in research and development of Internet software will produce its first significant result this week, when the company says it has beaten arch-rival Netscape in the race to allow parents to control their children's access to the Internet, James Mackintosh writes from Paris.

While SafeSurf, a Californian company, has provided proprietary software for over a year, Microsoft and Netscape have been working on integrating a ratings system into their browsers, the programmes that allow access to the World Wide Web.

Microsoft demonstrated a beta (pre-release) version of Internet Explorer 3, its browser, at the fifth International World Wide Web Conference in Paris last week. It allows parents to set what they believe is an acceptable level for violence, sex, nudity and offensive language and to limit their children's access.

However, Microsoft has a long way to go. According to a survey by US researchers Dataquest, Netscape remains the most popular browser, with 84 per cent of the browser market, while Microsoft has a mere 7 per cent.

INTERNATIONAL PRESS REVIEW

Euphoria less than universal

SOUTH AFRICA

By Roger Matthews

South Africa grew up quickly last week. On Wednesday, President Nelson Mandela presented the nation with its birth certificate, in the form of a new constitution. A day later, following the announcement by the National party that it was withdrawing from the government of national unity, Mr Mandela declared the country had reached full political maturity.

Most newspapers thought that both developments were good for South Africa. The *Cape Times* was ecstatic, describing the adoption of the new constitution as both the "Birthday of the Rainbow Nation" and a "Passageway to a new dawn".

Business Day, rather more sombrely, detected hints of euphoria similar to those which marked the 1994 general election and swearing in of the new government. But it was not quite the same.

"Acknowledgment of incipient problems has not been swept away in the euphoria this time – and that is not a bad thing," said its main editorial. "With the constitutional issues now resolved, the focus must turn to effective governance, particularly in the economic sphere."

But the departure of the National party the following day was cause for some concern. The *Citizen* felt a need to calm matters down. "Our advice is: don't panic. After a period of uncertainty we will move forward again to a common destiny in a wonderful country rich in promise and achievement."

Business Day was certainly not panicking. But it was getting worried about the fall in the value of the rand. "The executive has a crisis of economic confidence to resolve, a crisis both materially and psychologically based," it said.

Mr Peter Bruce, editor of *Business Report*, writing under the headline "Now rule", was rather more prescriptive. He welcomed the departure of the Nationalists. But he told the African National Congress that it must sort out its economic priorities. The first steps had to be a "dramatic easing" of exchange controls, and the simultaneous relaxation of punitive import barriers. "Are sensible policies to be monotonously derailed by the ANC's fear of irritating the trade unions, or are we going to create a country where our children can thrive?" he asked.

The *Mail and Guardian* found solace in the Bible. "South Africa has justifiably been compared to the Old Testament: a story of people trying to do the right thing by their God, and, being people, messing it up," it said. "But the important thing is that we are trying to do right. That when all is said and done is our glory."

It thought the ANC should not be too worried by the fall in the rand. "If there is ever evidence that markets are often short-sighted, and should not be allowed crudely to dictate our policies, then this is it," said the Mail and Guardian's editorial writer. The government of national unity had been marked by horse-trading, petty bartering and indecisiveness. The departure of the Nationalists would give them the chance to build an effective opposition, and the ANC the opportunity to provide firm leadership.

The *Sunday Independent* agreed. The adoption of a new constitution was "the culmination of a struggle marked by extraordinary courage and sacrifice", it said. "There will be new strains, but both major developments were steps forward, each a move away from apartheid and towards a normal society. It would be a churlish South African who dwelt on defective detail and did not, at least for the moment, celebrate."

Perhaps the South African whom the Sunday Independent had in mind was Mr Ken Owen, editor of the rival *Sunday Times*. "President Mandela may not know it, but he is condemned to spend the rest of his time in office struggling to regain control of the economy that has slipped its moorings and is headed for the rocks," Mr Owen wrote yesterday.

He foresaw a vicious cycle of faltering confidence, a weakening rand, rising inflation and interest rates, increased pay demands, more capital flight and the destruction of the middle classes.

If this was to be prevented, Mr Mandela had to win back the confidence of the people "who have been shipping their money out of South Africa – the capitalists whom his party scorns".

Mr Owen had this to say about the president: "He has done far too much travelling abroad. He has made far too many conciliatory gestures. He has basked far too often in the adulation of the masses, and he has patted far too many children's heads. It is time to devote himself to his job, which is to govern."

It was not just Mr Mandela who was to blame. "We have all been frivolous. We have had far too many conferences. We have chased too many trendy causes. We have been partying for two years, celebrating liberation and election and constitution and more constitution, and we have congratulated ourselves so often that we are probably the world's foremost bores."

De Klerk awaits his new freedom

Mr F W de Klerk, the leader of South Africa's National party, which last week announced it was to quit the coalition government, promised yesterday that he would be "responsible and constructive" in opposition, Roger Matthews writes.

"I will not be wild and irresponsible in my criticism. But I will have a freedom I have not enjoyed before in my political career."

President Nelson Mandela continued talks with senior ANC members yesterday on replacing the six National party cabinet ministers who will leave the government with Mr de Klerk.

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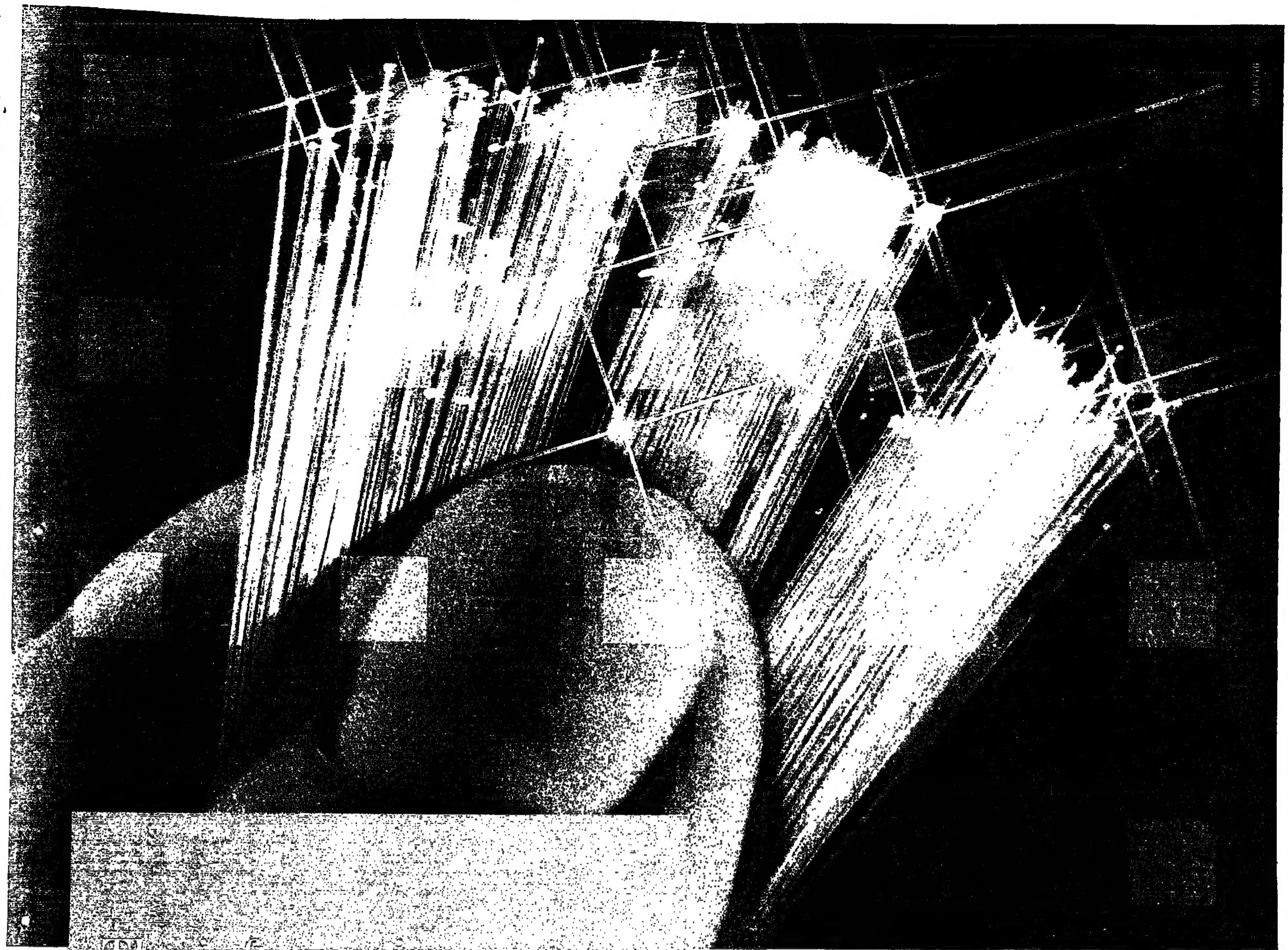

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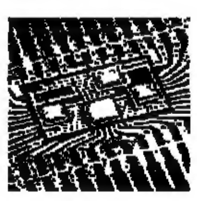

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SingTel will be 'leaner and meaner' company

Singapore to speed phones competition

By Our Foreign Staff

Singapore is to open its telephone market to competition in 2000, seven years ahead of schedule and two years after Europe and North America liberalise their own markets.

The move brings Singapore more in line with the telecoms markets of Hong Kong, Japan, Australia and New Zealand, which are either fully liberalised or well on their way. Singapore has been one of the world's most protected telecommunications markets, with the government owning 89 per cent of Singapore Telecom (SingTel), which has a monopoly of local, international and wireless services.

The liberalisation move was announced at the weekend by Mr Mah Bow Tan, minister of communications, who said SingTel would "become a leaner and meaner" company.

"Perhaps more than any country, we depend on the efficiency of our infrastructure, especially telecommunications, to attract high-quality investments. As a business hub we must keep pace with technology, and offer telecommunications services which are as comprehensive, as efficient and competitive as possible," Mr Mah said.

Singaporeans spend more on telecommunications services than many other nationalities, adding to SingTel's considerable profits.

SingTel, which is the largest listed company on the Singapore Stock Exchange, produced pre-tax profits of US$1.26bn last year. International calls accounted for just under half of the total but the company has seen its operating margins squeezed following a series of international direct-dial rate cuts over the past two years.

SingTel has made considerable investments in a series of ventures worldwide. These span interests as diverse as cable TV in Stockholm and cellular services in Suzhou, China. In Asia its strategy has been to snap up service licences as they surface, operating as a partner in joint ventures with local companies. In Europe it has taken direct equity stakes. The company has 28 investments in nine countries.

It will face its first test of domestic competition next May when a new cellular operator, MobileOne, launches the first alternative to SingTel services in cellular phones and paging.

MobileOne is a joint venture between the local Keppel Group, Singapore Press Holdings, Cable and Wireless and Hongkong Telecom. It plans a two-pronged assault on the business and residential markets by launching two simultaneous cellular networks.

Cellular phones and pagers have been highly popular in Singapore, and even with one of the highest penetration rates in the region SingTel's mobile unit, MobileLink, was still attracting subscribers at a rate of 6,000 a month last year.

SingTel has also been involved with government plans to build an information technology network to link homes, offices, schools and factories across Singapore and to provide access to sites elsewhere in the world.

Japan slow to tackle sex harassment

Emiko Terazono examines the reluctance of domestic businesses to confront an issue which is typically seen as a 'foreign problem'

Silence among Japanese businessmen over the Mitsubishi Motors sexual harassment case in the US was broken last week by Mr Jiro Nemoto, chairman of the Japan Federation of Employers Associations, a leading business lobby.

"It is a shame for Japan," said Mr Nemoto, who is chairman of Nippon Yusen, a shipping company which also belongs to the powerful Mitsubishi corporate grouping.

Unlike the western media, Japanese newspapers and television networks have offered virtually no analysis of the Mitsubishi case. Much of the news coverage was sympathetic, as if the carmaker was unfairly caught up in US hysteria.

Even Mr Nemoto's words seemed more critical of Mitsubishi's tactical error in handling the problem than the alleged harassment. "In the US, sexual harassment is in some ways more serious than layoffs," he said.

Indeed, the Mitsubishi case seems to have hardly caused salarymen, as male office workers are called, to rethink their attitudes towards sexual harassment – *seku hara* in borrowed Japanese.

"Japanese companies do not treat women as proper workers and they do not care about sexual harassment," said Ms Mayumi Makita, an editor of Femin, a magazine published by the Women's Democratic Club, a rights group.

Many leading manufacturing and financial companies do not have internal rules outlawing such conduct and fail to provide training for employees or help for female workers. Even Honda, the car manufacturer, which regards itself as an international group, said: "We leave it to each person's common sense."

In a culture where anyone who disrupts the group is quietly sidelined, and where litigation over civil rights is rare, "office ladies," as female employees with menial jobs are referred to, are often helpless.

According to a survey taken by the prime minister's office last year, 41.3 per cent of the women polled said they had been sexually harassed. Although some women are turning to the courts, with about 10 cases filed, most incidents where female employees are sacked or disciplined because they complained about sexual harassment do not surface.

One woman won a court case against her employer in 1992, but since then employers' concerns have been superseded by labour problems stemming from the recession. According to Kyoei Fire Insurance, which offers consulting services on sexual harassment, 30-40 companies asked it to run seminars on the issue in 1992 and 1993 but these requests have since evaporated.

About 60 women staged a weekend demonstration outside a dealership of Japan's Mitsubishi Motors in a Washington suburb to protest against alleged sexual harassment at a Mitsubishi subsidiary's plant in Illinois, Kyodo reports.

Members of the National Organisation for Women marched outside the dealership carrying signs reading "Mitsubishi: Hands off women" and "Stop harassment now". A US agency earlier filed a suit against the subsidiary on behalf of more than 500 female employees who claimed they were sexually harassed at the plant.

The recent decline in job availability, which has been felt worst by female university graduates, has boosted the number of incidents involving sexual harassment during corporate interviews. The labour ministry has launched investigations into claims that students have been told to come to interviews in mini-skirts, with some being refused jobs because of their physical appearance.

Sexual harassment at Japanese companies stemmed from the underlying corporate sexism which was deep-rooted in Japan, said Ms Makita.

Traditional chauvinistic attitudes lead to a lack of status for women in the workplace. The counter-argument often given by Japanese men is that housewives control the household, including the purse strings.

Japanese law does not protect women's rights in the office. The passage of an equal employment opportunity law in 1986 was seen as a breakthrough in women's advancement in the workplace but, after strong opposition from leading companies and the ministry of international trade and industry, the labour ministry was forced to leave out punitive measures against companies which breached the law, thus making it impossible for the law to be enforced.

No law exists against sexual harassment itself, and the labour ministry points out that women who take legal action do so under the criminal law of slander or public indecency.

The increasing number of sexual harassment cases involving Japanese companies' international operations comes against such a background. "They're still at the bottom of the learning curve," said Mr David Bong, who heads the Tokyo office of Kroll Associates, a US risk management consultant.

"Companies need to create internal rules banning sexual harassment and also put in a fair and impartial system where women can report their problems and have them dealt with," he said.

Some companies have started, including the US arm of Mitsubishi Corp, the trading company at the centre of the Mitsubishi group. Last month it issued a statement outlining "sexual harassment in any form as unlawful, inappropriate and offensive". But like most Japanese companies which regard this as a "foreign problem", the parent company does not have similar rules for its operations in Japan.

Investment in Europe begins to rise again

By Stefan Wagstyl, Industrial Editor

Japanese companies' appetite for investment in Europe is rising for the first time in six years, according to figures published by the Japan External Trade Organisation.

The number of Japanese companies setting up new operations in western Europe rose last year for the first time since 1989; 36 manufacturers set up operations, taking the total to 727.

This is a sharp increase from 19 new companies in 1994 and 26 in 1993. While the total is well short of the peak of 88 new companies recorded in 1989, when the Japanese economy was booming, the increase suggests Japanese companies' investment plans are recovering from the impact of the recession of the early 1990s.

Companies with existing European operations are also significantly more enthusiastic than a year ago about investment plans. More than three quarters (76.6 per cent) plan to invest in the next two years, compared with 55 per cent in 1995, says Jetro. Its survey covered 437 Japanese companies in EU countries, Switzerland, Norway and Iceland.

The UK, the long-standing favoured destination for Japanese investors, remains the most attractive place to invest in production plants for 41.9 per cent of those surveyed.

But eastern European countries are gaining ground, with 23.6 per cent of companies putting the Czech Republic or Slovakia at the top of their list, and 16.2 per cent naming Poland.

Jetro says: "The countries of central and eastern Europe which are seeking EU membership are seen not only as export markets and as a source of supply but also as potential production bases." More than 80 per cent of those polled forecast that business with eastern Europe would increase.

The survey finds Japanese companies are committed to local purchasing, with more than half buying at least 70 per cent of parts and raw materials locally. The strength of the yen is encouraging cuts in imports from Japan. But imports from other Asian countries are growing, as are imports from east Europe.

Of the 727 Japanese companies in western Europe, 215 are in the UK, more than double the totals for the next two countries, France and Germany, which have 109 and 106 respectively.

ASIA-PACIFIC NEWS DIGEST

Thai cabinet change imminent

Changes in Thailand's cabinet are imminent after the country's seven-party coalition government survived a difficult no-confidence motion at the weekend, political party leaders say. Despite a two-day barrage of opposition allegations of corruption, all 10 ministers targeted in the motion won overwhelmingly in the 391-seat parliament, where forces led by Prime Minister Banharn Silpa-archa hold a 75-seat majority.

But some ministers, particularly Mr Suchart Tancharoen, deputy interior minister, and Mr Surakiart Sathirathai, finance minister, defended themselves poorly, coalition party leaders claim. One important coalition partner, the Palang Dharma party, failed to vote for Mr Suchart, although the party is likely to remain in the coalition as long as he is removed from the cabinet. *Ted Bardacke, Bangkok*

Taipei eyes offshore zones

Taiwan has a long-term plan to establish 100 industrial zones overseas, mostly in developing Asian and central American countries, according to the economics ministry. In the next year the government will focus on 10 zones, to be located in Guatemala, Nicaragua, Costa Rica, El Salvador, Honduras, India, Indonesia, the Philippines and two in Vietnam.

Mr Chou Yen, director-general of the ministry's industrial development and investment centre, did not specify the size of the zones or the amount of investment involved.

The plan is intended to help Taiwanese companies move manufacturing operations offshore and to diversify their investments. Rising production and wage costs at home have encouraged Taiwanese companies to transfer factories overseas, particularly to China. The plan is also in part a diplomatic initiative to boost Taipei's foreign links, especially with countries "friendly" towards it. *Laura Tyson, Taipei*

Imran Khan renews attack

Mr Imran Khan, Pakistan's former cricketer turned politician, today begins a visit to Karachi – his first since formally announcing he would enter politics. Mr Khan plans to meet lawyers, businessmen, journalists and local community leaders in an effort to gather support for his new "movement for justice", which he plans to convert to a political party.

Mr Khan launched a fresh attack on Pakistani politicians at the weekend, calling them corrupt and ineffective. He also warned that social injustice could promote Islamic fundamentalism in Pakistan. *Farhan Bokhari, Islamabad*

Sinn Féin rekindles ceasefire hopes

By Robert Peston, Political Editor

There were tentative signs yesterday that the IRA is inching towards renewing its ceasefire, as Mr Martin McGuinness, one of Sinn Féin's most influential leaders, said that the nationalist paramilitary group was "open to persuasion".

Mr McGuinness, chief negotiator of Sinn Féin, the IRA's political wing, said he wanted a cessation of violence. "I want the ceasefire as desperately as anybody", he said.

His statement was regarded as significant by the UK and Irish governments, following his recent reticence on the prospects for peace.

In a weekend television interview, Mr McGuinness said he was "passionately of the opinion" that peace negotiations, scheduled to begin on June 10, "must take place in a peaceful atmosphere and that means securing a second IRA ceasefire".

The biggest obstacle to ending the violence remained the issue of decommissioning IRA arms, he said. Mr McGuinness said it would be "absolutely disastrous" if the British government and Ulster Unionist party, the largest pro-British party in Northern Ireland, insisted that removing arms from Northern Ireland terrorists was a precondition to Sinn Féin's involvement in other strands of the talks.

He was encouraged by the suggestion of the Irish deputy prime minister, Mr Dick Spring, that decommissioning discussions could proceed in parallel with other elements in the all party peace negotiations.

A senior British official said that Mr Major was not strongly opposed to Mr Spring's proposal. However, the Ulster Unionists want decommissioning to remain at the heart of all party talks and not hived off into a separate strand.

Mr McGuinness also called for the all-party talks to have a finite time limit of between six and nine months. "If real and meaningful peace negotiations are to take place they need to take place within an agreed time frame".

The Irish government yesterday stepped up pressure for a resumption of the IRA ceasefire, citing Britain's repatriation of the jailed terrorist, Patrick Kelly. Mr Kelly, a victim of skin cancer serving a 25-year sentence for conspiracy to bomb and attempted murder, is expected to be switched to a jail closer to his daughter's home this week.

The Irish justice minister, Ms Nora Owen, said: "I welcome the decision because it had become one that seemed to be linked to the whole peace process ... this move to transfer Paddy Kelly is significant with regard to the bringing back of the ceasefire".

Investors agree to reform of new share issues

By Norma Cohen

Leading UK shareholders are prepared to accept lower dividends from companies which raise capital by issuing new shares to existing investors at a discount to market prices.

The move is a significant concession to the growing group of British companies and government officials which argues that the cost of raising equity capital for UK companies is too high when compared with that of overseas competitors.

However, MAM and other shareholders say pre-emptive rights – which give existing investors the right of first refusal over any new offering of shares – must be allowed to remain in place. Merchant bankers which advise companies on how to raise fresh cash have argued that as a practical matter, fees and discounts cannot be negotiated on each new offering of shares which goes to market.

In a series of interviews with the Financial Times, leading shareholder organisations and fund managers have acknowledged that current practices probably mean that many companies needlessly overpay when selling new shares.

Shareholders and their trade associations also say that they are prepared to negotiate with companies individually on the fees to be earned for their participation in the distribution of new share issues. At present, fees for underwriting are fixed at 2 per cent of the sum raised, regardless of the risks or prevailing market conditions.

The Bank of England, in a paper published today in its Quarterly Bulletin, adds fuel to the debate by concluding that prices currently charged for raising equity capital are probably too high.

The Association of British Insurers said it acknowledged that if companies were forced to maintain dividends on cheaper shares, they had in effect raised their dividend.

"Where there is a rights issue, ABI members are perfectly happy to see the dividend policy reflect the bonus element in the share price," said Mr Richard Reagan, to the ABI's investment committee. Companies which follow such a policy need not fear that they will lose the support of their shareholders, he said.

Mercury Asset Management, the UK's largest independent fund management company, said it saw no reason why companies should not adjust their dividend downwards to reflect the issuance of cheaper shares.

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Share sniping, Page 23

Retailer to vet suppliers over working conditions

By Jenny Luesby

C&A, the retail chain, is about to transform its buying operation in an effort to end the use of sweated labour by some of its thousands of suppliers. The move – prompted by a forthcoming campaign by the charity Oxfam – will put pressure on other retailers to do the same.

At present, town-centre chains have little or no knowledge about the working conditions under which their merchandise is produced. Most clothes sold in Britain are made in developing countries, and pass through several manufacturers before being sold.

Oxfam says the supply chain has allowed abusive labour practices to proliferate. On May 20 it will launch a campaign targeting other retailers. It will call on the companies to say where their clothes are made, and under what conditions. It has printed thousands of leaflets with protest vouchers for consumers to send to retailers. Oxfam is also pushing for independent monitoring of suppliers, as well as a social clause to be adopted by the World Trade Organisation, allowing trade sanctions.

C&A said its new code of conduct, announced to its buying staff last week, was based on the Oxfam recommendations. The group has set up a new auditing company, Socam, which will be independent of the rest of the group. Over the next few days, Socam will ask all C&A suppliers for full disclosure of working practices, including worker records and the use of sub-contractors, and for the right to make unannounced inspections. "We know a small percentage are going to refuse," said Mr John Green, C&A's head of corporate affairs, "in which case we very much regret we can no longer do business with them."

Socam will begin its inspections, using several hundred monitors, in Bangladesh, India and Pakistan. It plans to cancel any contract with a supplier which uses child labour, illegal immigrants, forced labour or physical or mental abuse.

Koreans favour Welsh plant

By Roland Adburgham, Wales and West Correspondent

The town of Newport in south Wales has emerged as the frontrunner to win a Korean semiconductor and consumer electronics plant – an investment of more than £1bn ($1.52bn) creating up to 4,000 jobs.

The plant, planned by LG Electronics, would be Europe's largest investment from South Korea. The move is part of the company's strategy to manufacture in key global markets.

An announcement is expected shortly but it could be delayed for several weeks. Mr David Rowe-Beddoe, the chairman of the Welsh Development Agency, said yesterday: "We have had confirmation at the highest level that no decision [by LG] has been made."

LG – which changed its name from Lucky Goldstar last year – has considered several sites in Wales, but Imperial Park, next to the M4 motorway at Newport, is favoured. In March, Newport won a £230m semiconductor plant to be built by the WDA for Newport Wafer-Fab, a subsidiary of Hong Kong-based QPL. If the LG investment went ahead, the company would qualify for multi-million pound grants from the government.

The WDA has had a team dedicated for months to capturing the project. Mr Rowe-Beddoe and Mr William Hague, the Welsh secretary, have both visited Seoul during the negotiations.

Ireland still appears to be an outside possibility for the LG plant as are Scotland and west and north-east England.

Pressure for action over beef ban grows

Financial Times Reporters

The cabinet of the governing Conservative party is concerned that it will be unable to resist pressure from its backbenchers for wide-ranging retaliatory action against the European Union in the absence of progress this week towards a limited lifting of the EU ban on British beef exports.

The EU's standing veterinary committee is due on Wednesday to consider a plan, mapped out last week by Mr Franz Fischler, the EU commissioner for agriculture, under which Britain would impose tougher controls on the manufacture of gelatin and tallow as a precondition to the EU lifting the embargo on these products.

A senior British minister involved in the negotiations said that the decision could go either way. He was confident that the French government would back a lifting of the ban on these products, but conceded that the Germans would not be won around to the British position.

The outcome would therefore almost certainly depend on the positions adopted by the Dutch and Belgians, the minister added.

Mr Malcolm Rifkind, the UK foreign secretary, yesterday said it would be "very perverse" for any government to obstruct the lifting of the ban, which was wholly "unjustified". The minister said the government would do whatever was within its power to resolve the problem.

Ministers are considering disrupting other areas of EU decision-making by way of retaliation. One possibility would be for the UK to boycott the current intergovernmental conference on reforming the EU's institutions.

The adoption of such an "empty chair" policy would undermine the IGC, since decisions in this area require unanimity. Another option would be to veto decisions in other areas requiring a full consensus rather than a majority vote.

UK NEWS DIGEST

New powers for export licensing

A powerful cross-departmental committee to vet sensitive applications for export licences is being considered by the government as the main plank of its response to Sir Richard Scott's damning report on arms sales to Iraq. The committee would combine officials of the Department for Trade and Industry, Customs & Excise and the security services, and serve as an appeals tribunal for companies whose export papers had been rejected by the DTI.

Whitehall departments are conducting several reviews of export procedures, the confidentiality of relations between ministers and civil servants, and dissemination of intelligence information. These are among the areas singled out for reform by Sir Richard's report, which was issued last February after three years' investigation following the collapse of the trial of three directors of the Matrix Churchill company charged with with breaching export regulations: The case was abandoned after it was disclosed that the company had exported sensitive defence-related equipment to Iraq with government connivance. *John Kampfner and Jimmy Burns, London*

State revenue forecast 'mistaken'

Mr Kenneth Clarke, the chancellor of the exchequer, conceded yesterday that the Treasury had made a "mistake" in its forecasts for this year's government revenues, as senior members of the governing Conservative party reacted angrily to the chancellor's warnings that he may not be able to deliver significant tax cuts in the November Budget.

He also said his forecast for 3 per cent economic growth this year was "on the high side", following disappointing first-quarter figures. However, he insisted it was premature to revise the growth forecast downward. The chancellor said that his scope for cutting taxes had been severely limited by a shortfall in revenues, which meant that borrowing was running well above the forecast of £22.5bn ($34.2bn) for the year. *Robert Peston, Political Editor*

Record turnover for gilts market

Turnover in UK government bonds, or gilts, has reached record levels following the introduction this year of the new open market in gilt sale and repurchase agreements, or gilt repos. The repo market, which started operation in January, is part of the wide ranging modernisation of the gilts market, instituted by the Treasury and the Bank of England aimed at cutting the government's borrowing costs. Turnover in gilts in the first quarter of 1996 reached an average daily value of £8.1bn, ($12.3bn) the highest ever quarterly figure, the Bank of England said. This compares with an average daily value of £6.2bn for the whole of 1995. *Graham Bowley, Economics Staff*

Import levels soar

British manufacturers are losing market share, a business study says today. A report by the Chartered Institute for Marketing says that UK manufacturing exports last year grew about 5 per cent less than the market for UK exports.

The figures, which are derived from calculations by the Organisation for Economic Co-operation and Development, show that this gap was larger than any other major industrialised country. The group also points out that imports into the UK have recently soared.

Imports from newly industrialised economies in the Far East, such as Thailand, have risen 33 per cent in the past three months, while imports from the US have surged 23 per cent. Part of this surge may reflect the increase in factories owned by overseas companies assembling components from the Far East. *Gillian Tett, Economics Correspondent*

THIS WEEK

Chumminess across the Channel

DATELINE

Paris: Chirac's early state visit to London signals that Anglo-French relations are in much better shape than is popularly thought, writes David Buchan

Apparently Queen Elizabeth only schedules two "inward" state visits to Britain by foreign leaders a year, and these are usually planned years ahead. It is therefore considered a mark of the UK's unusually good relations with France that, at only a few months' notice, President Jacques Chirac's arrival in London tomorrow for a four-day state visit has been slotted into the royal calendar.

On the French side, there is also symbolism in the timing of the visit. Chirac has made early state visits to the Vatican and the US (God and Mammon), but has only just celebrated his first anniversary in power and, with six more years in the Elysée, could have waited much longer before crossing the English Channel in state.

Anglo-French relations have improved since the days of the late François Mitterrand and Margaret Thatcher. This pair intrigued each other and against each other – a dialectic captured by Mitterrand's perhaps apocryphal quip about Thatcher having "the mouth of Marilyn Monroe but the eyes of Joseph Stalin".

In contrast, there is positive chumminess in the relationship between Prime Minister John Major and Chirac – helped by Chirac's good English. The French president will not be using this particular linguistic skill on Wednesday when he addresses the two Houses of Parliament, any more than General de Gaulle did at the same forum in 1961. But Chirac uses English in all private conversations with Major. The two have spoken four times on the phone in the past month (about, of course, mad cow disease and its ramifications), and the monolingual UK prime minister would not be human if he did not rate this a plus in Chirac's favour.

Nor would Chirac be human if he did not appreciate Britain's backing for his nuclear tests last year, at a time when most of his European Union partners condemned them. Lonely support of difficult or unpopular causes is a strong element in Gaullist mythology, from wartime London to Bosnia.

More problematic is whether Chirac will get a chance to extend his chumminess to the British people, and indulge his penchant for pressing the flesh of bystanders. Talks with the various UK party leaders, discussions with business leaders at the Bank of England, a briefing on Northern Ireland from Sir Patrick Mayhew and tea with the Queen Mother hardly provide such an opportunity.

Chirac will be able to use his one planned walkabout – on Thursday, in the Easterhouse area of Glasgow, a renovated slum which still has more than 20 per cent unemployment – to take a look at Britain's fracture sociale and to see what lessons it has for that in his own country.

But the response of the British and French public to each other's leaders is hard to gauge. It is a cliché to talk of the fractious history between the two countries. The respective folk images that the British and French have of each other are rooted in long-ago wars, and since 1815 the two countries have largely been on the same side, though not always gloriously – in the Crimea, the two world wars, during the Suez crisis and in Bosnia.

Economics and politics have latterly provided more ground for tension. The fact that the French economy, which was much smaller than the UK's in 1945, is now far larger, probably grates on the subconsciousness of many Britons. Indeed, Chirac's arrival tomorrow on a Eurostar train that will have crawled across Kent after whizzing from Paris to Calais will symbolise this.

If they are looking for intellectual revenge, free-market minded Britons can take satisfaction from the paradox that the Treaty of Rome, which Paris helped write, is gradually obliging France to liberalise virtually every aspect of its economy except agriculture. The French-inspired project for economic and monetary union (Emu) has proved a fresh bone of contention between the two countries. But Chirac will argue at the Bank of England that France wants the UK in – not out of – a single currency. If his listeners object to the damage this might cause UK exports, he might point out that the strong franc has not stopped France from continuing to run a large bilateral surplus with the UK.

Emu aside, the two countries' views on EU institutions are not far apart. The French president will be renewing his Gaullist credentials as he lays a Cross of Lorraine wreath on the de Gaulle memorial in London tomorrow. De Gaulle always produced profound irritation as well as admiration in Britons. Churchill said of the general after the second world war that "of all the crosses I had to bear, the Cross of Lorraine was the heaviest".

But Chirac inherits from de Gaulle an approach to Europe, based on the nation-state, that broadly suits Britain. He wants to give a central role to national parliaments rather than more power to the European parliament, and to keep most internal security and all external security issues in the hands of national governments. Any future Labour government in Britain would probably not quarrel with this approach, while Labour's commitment to signing the EU social chapter is frankly welcomed in Paris. Perhaps, therefore, the present improvement in Anglo-French relations may last beyond the next UK election.

PEOPLE

A million dollars could not keep him

UIP's distribution supremo plans to go it alone, says Raymond Snoddy

Williams-Jones: has a 'tough mountain to climb' despite his contacts

Michael Williams-Jones, president and chief operating officer of United International Pictures, the company which distributes the films of three Hollywood studios outside North America, remembers exactly when he made his decision to quit.

He was on a ship with his wife Eve travelling from Singapore to Bangkok. It was a beautiful morning as he surveyed the coastline in the distance. As usual, a large pile of faxes had just arrived. It was then that Williams-Jones, who is 51 and had been president of UIP since 1984, decided he was going to give up his salary of more than $1m a year and all the benefits of playing in the Hollywood first division. However, he would also be escaping the pressures of having to travel for up to six months each year.

He says: "I told my wife that I had made a decision that I wanted to move on to other opportunities within the industry – most probably production." And so it was that Williams-Jones, who has a Welsh-Jewish background, had the pleasure of inviting his three bosses from the three UIP studio businesses – John Dolgen, chairman of Viacom Entertainment, Frank Mancuso, chairman of Metro-Goldwyn-Mayer, and Ron Mayer, president of MCA – to breakfast at the Bel Air Hotel in Los Angeles to tell them of his decision. It is usually the other way around: senior executives being taken to breakfast by studio heads to be fired. "After they got over the shock and stopped choking on their coffee, they understood," says Williams-Jones.

During his time at UIP, Williams-Jones has overseen the release of such international blockbusters as GoldenEye and Rainman from MGM/UA, Ghost from Paramount and Jurassic Park and Apollo 13 from Universal Pictures.

Last year UIP, which has 900 employees in 40 offices around the world and is active in 150 countries, had revenues of $1.5bn. Apart from generating rising revenues from outside North America, Williams-Jones is most pleased about opening up countries such as South Korea for the Hollywood majors.

In 1987 South Korea was worth just $10m a year to Hollywood in film, television and video revenues, yet cinema attendances per capita were among the highest in the world. The UIP head discovered more than 90 per cent of the revenue was going to middlemen, and started introducing direct distribution. There was "unbelievable opposition" to this, he says. A hollowed-out book on Korea with a dead snake inside was sent as a warning; a limpet mine exploded in the front of UIP's local office; and Williams-Jones was burned in effigy.

Last month his three bosses formally thanked Williams-Jones for his contribution to the success of UIP and said he "has more than earned the right to move on". After staying until he has helped choose his successor, his move is likely to involve looking for films of his own to produce and seeing them through from conception to release.

"A lot of film-makers tend to walk away from a film the moment it is completed, and they go on to the next project. That, for me, is when it gets interesting," he says. Running a media investment fund and film industry consultancy are also likely to form part of his life.

His new company, Merlin Anglesey, will be a co-operative venture, with Williams-Jones combining his commercial and marketing skills with those of his literary and production-oriented wife, Eve Forman. But first they are planning to take six months off on Africa with several cases of books. Their lodge has no electricity or telephone.

The reading will be partly for pleasure but they will also be looking for movie ideas. After years of promoting films all over the world, Williams-Jones believes he has a good feel for what audiences want. It is entertainment that sells, of course, but he believes entertainment that makes some demands on its audience, has charm and deals with universal issues can be more successful than films based on extreme violence or transitory "pyrotechnic entertainment".

He points with wonder to Babe, a film about a piglet, which cost about $20m to make and has already grossed $178m outside North America. "Sometimes too much is spelled out today," he says. "I think we have lost some of the art of story-telling." Despite shortcomings in movie story-telling, he sees a boom coming both in cinema exhibition and for film production.

In Britain, for example, with the help of multiplex cinemas, attendances of 130m are projected for this year compared to 55m in 1987. Everywhere, from Bangkok to Shanghai, new shopping centres are being built and a multi-screen cinema is always included. And film production is at the core of the satellite and pay-TV revolution.

But turning Merlin Anglesey into a success will be a formidable challenge for Williams-Jones, despite his extensive Hollywood contacts. He says: "It will be marvellous, but I am as aware as anyone that the failure rate is spectacular. It's a tough mountain to climb."

NAMES IN THE NEWS

Palmer highlights Digital's historic Net contribution

Putting his mouth behind his company's money, Bob Palmer, chief executive of Digital Equipment, last week conducted a "cybercast" on the Internet to announce the company's strategy for playing a bigger role in the development of the global computer network, reports Louise Kehoe in San Francisco.

Digital was among the pioneers of the Internet, Palmer recalled. It was the first computer company with a site on the ARPAnet, the Internet's predecessor. Digital was also the leading supplier of computers for the ARPAnet, the first computer company with an Internet site and the first to take orders over the Internet.

However, Digital's role in networking history is unknown to many of the millions of new Internet users who are more likely to think of Netscape or Yahoo as the true innovators.

Then came AltaVista. A "search engine" designed to plough through hundreds of thousands of World Wide Web pages to seek information that matches users' requests, Digital's AltaVista was launched five months ago and has taken the Net by storm. "I have participated in the launch of a lot of products and technologies. But it is hard for me to think of anything that has caught the imagination of so many people as pervasively and as quickly as AltaVista," said Palmer.

No matter that AltaVista was originally designed as a demonstration of Digital's technical prowess. Grabbing the opportunity, Palmer is turning AltaVista into Digital's new Internet brand name and developing a range of software products that will piggyback on the success of the search engine.

Perhaps some of those products will make it easier to listen to Palmer's next cybercast. His first one was a technical challenge that defeated at least one long-time Internet user.

Chiroscience cheer for chief

John Padfield, chief executive of Chiroscience, has watched the market value of his UK biotechnology company rise smartly in the last three weeks, writes Simon Kuper in London. Chiroscience was worth £350m at Friday's close, with its shares up 202p to 485p since April 25, when it published a research and development update.

The City of London – and Padfield – are most excited about an enzyme-blocking MMP inhibitor for arthritis. This could diminish arthritic disorders, not just minimise pain as existing drugs do. The inhibitor has entered Phase I clinical trials, though it is still years from reaching the market. When it does, says Padfield, sales could be worth $1bn a year.

Padfield knows all about big drugs. At Glaxo he helped create Zantac, the anti-ulcer drug that became the world's best selling prescription medicine and gained a place in the Guinness Book of Records.

After taking a PhD in pharmacy at Nottingham university and teaching pharmacy at Bath university, Padfield joined Mann Baker, part of Rhône-Poulenc Rorer, in 1977, moving to Glaxo two years later. He moved to the board of Glaxo Research in 1986, and in 1990 became managing director of Glaxo Manufacturing Services. Later a headhunter rang, asking if Padfield fancied leading Chiroscience. "I'm now a general manager and City person," he says. Does he like it? "Oh, fantastic." The pay helps: Padfield earned £252,000 in the year to last February.

The move from a multinational to a small, anarchic biotech company suited him. "You get a tension here. It's a bit like a violin that plays just the right note. Too much tension and it snaps; not enough tension and it doesn't play the right tune."

But Chiroscience is growing. It will have more than 200 employees from next month when it acquires a pilot plant in Stevenage, home of Glaxo Wellcome. "It's very difficult to get a large group of people all together to play the tune you're hearing," warns Padfield.

Wallis seeks fresh challenge

Stuart Wallis knows what he likes: difficult companies. The former chief executive of Fisons, which fell victim to a £1.83bn hostile bid from Rhône-Poulenc Rorer last year, says he has turned down a clutch of job offers because they were too dull, Tim Burt in London reports.

The 50-year old executive says several FT-SE 100 companies have approached him in recent months. "Since Fisons, I have had about 50 different offers from all sorts of people. Most of them have not been very exciting. I want something with a challenge," he explains. He has been poring over the offers at the London headquarters of Arthur Andersen, Fison's former auditor, which has loaned him an office until he finds his feet again.

Wallis announced last week that he had accepted an approach to become chairman of Sheffield Forgemasters, the specialist Yorkshire manufacturer of castings and forgings. While admitting he knows little about the industry, Wallis does not see that preventing him from advising the company on marketing, overseas sales and the path to flotation. For at Fisons, he didn't know a monoclonal antibody from a tin of beans, yet he returned that business to health with heavy restructuring and the sale of assets.

Wallis says: "The basic managerial skills can be applied to almost any company. My experience from Fisons and Bowater should be of help to Forgemasters." Nevertheless, he has vowed not to jump into the front seat. "One of the skills in being a non-executive chairman is knowing when not to get too involved," he says.

By maintaining a distance from the operating management, he hopes to divide his time between a number of companies. As well as Forgemasters, Wallis is also chairman of LLP, the former Lloyd's of London publishing house, and expects to announce a senior executive role at another company shortly, which will be his main job.

Robert Chote · Economics Notebook

Reflections on price stickiness

A more competitive environment could alter the way companies set prices

Britain's industrial policy has undergone a subtle shift of late. Ian Lang, the trade and industry secretary, has quietly jettisoned the strategic interventionism favoured by his predecessor and said that he seeks above all else to promote domestic competition.

We have heard this all before. Whether the government should tenderly nurture national champions or let rival producers slug it out in home markets is a long-running debate. Indeed, the two alternatives seem periodically to swing in and out of fashion.

The first question to ask is which alternative is more likely to breed companies that are best placed to compete in an unforgiving global marketplace? On this, Lang's instincts are well placed. As management guru Michael Porter argued in The Competitive Advantage of Nations, world-beating companies often get up to scratch only by operating in an atmosphere of fierce domestic rivalry. But this is much easier to achieve in industries where economies of scale are relatively unimportant than, say, the supply of gas to residential customers or the production of jumbo jets.

A decision to promote domestic competition may also have macro-economic consequences, perhaps affecting inflation by altering the way in which firms set prices. An article in tomorrow's Bank of England Quarterly Bulletin sheds light on the way companies set prices in Britain.

The article describes the results of a survey of more than 700 companies carried out by the bank last autumn. Almost 40 per cent of the companies questioned said they set prices at the highest level they thought the market would bear. A further 25 per cent said prices were set in relation to their competitors'. In contrast, some 37 per cent said they set prices by adding a fixed or variable mark-up to their costs of production.

The survey asked the same question in a different way by asking firms to rank in order of importance a series of theories which sets out to explain why prices in the real world appear to be sticky. This suggested a greater role for cost-based pricing than the other question had, especially among small firms for which the expense of monitoring market conditions is relatively burdensome. The most popular theory was one suggesting that firms do change prices in response to fluctuations in market conditions, but only to a limited degree because their costs do not rise much as they increase output.

Next most popular after the cost-based theories was one based on companies' desire to avoid price wars. Under this hypothesis, businesses are reluctant to change their prices even in response to changing costs, fearing their competitors will follow suit and – in the case of a price cut – trigger a downward spiral.

One would expect policies that promoted competition to encourage market-based pricing at the expense of cost-based pricing. Competition should also reduce the size of the mark-up of companies can sustain. This is difficult to assess, but some clues emerge from a recent study of mark-ups in the manufacturing sectors of industrial countries carried out by the Organisation for Economic Co-operation and Development. This suggests that the highest mark-ups have been whittled away in most countries in recent years, perhaps because greater openness to trade has made competition tougher.

Interestingly, the pattern of mark-ups from industry to industry has changed little since the 1970s. High mark-ups remain most prevalent in industries such as tobacco products, industrial chemicals, drugs, medicines and computers, and radio, television and communications equipment. Mark-ups are relatively low for textiles, food, printing, electric machinery and motor vehicles.

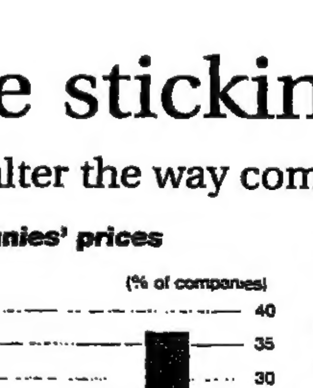
Mark-ups are higher in those industries comprising relatively few competitors than in those with many. They are also higher in industries in which companies produce differentiated products rather than homogeneous ones. But this does not mean that high mark-ups are necessarily a bad thing. They may provide a reward for expensive innovation.

A fall in mark-ups as a result of increased competition would have a direct, albeit temporary, effect on inflation. Greater competition might also reduce the danger that inflationary shocks become embedded in an upward spiral of wage and price increases – studies show that trade unions are much less successful in boosting pay when employers are under pressure from rivals. Greater competition might also affect inflation if it altered the relative stickiness of prices upwards or downwards.

The ups and downs of companies' prices

% of firms citing given factor as most important reason to change price

Factor	Rise	Fall
Material costs	64	28
Rival price	16	36
Change in demand	15	22
Prices never change	4	12
Move in interest rates	3	1
Change in market share	2	11
Change in productivity	1	3



Source: Bank of England

Conventional wisdom has it that companies are much less willing to cut prices than to increase them. The Bank of England did not test this explicitly in its survey, but it did confirm that such decisions would be taken according to different criteria. Almost 65 per cent of companies said that rising raw material prices were the factor most likely to prompt a price increase, but only 28 per cent said that a fall in the cost of materials would lead to cuts. Changes in rivals' prices or the state of demand were more likely to trigger cuts than rises.

Downward price stickiness becomes more of a problem when inflation is low, because the relative price changes needed to signal scarcity or oversupply are more likely to demand that the prices of out-of-favour goods fall in cash terms. When inflation is higher, the price of out-of-favour goods can continue rising, only less quickly.

The psychological barrier against price cutting has clearly been weakened by the recession and by the continued mood of bargain consciousness among consumers during the recovery. But the fact that three times as many companies told the bank they never cut prices as said they never raise them, suggests it has by no means been eliminated entirely. This remains an obstacle to moving from what has been an era of historically low inflation to one of effective price stability.

A concerted effort to intensify product market competition would presumably help to weaken resistance to price cuts, and thereby help that transition. But the bank's survey suggests it would also encourage companies to review their prices more frequently and to change them more frequently, too. A more competitive market might therefore be one in which companies are quick to raise prices at any chance they get.

● How do UK companies set prices?, by Simon Hall, Mark Walsh and Tony Yates: Bank of England Quarterly Bulletin, May 1996. Mark-up ratios in manufacturing industries, by Joaquim Martins. Stefano Scarpetta and Dirk Pilat. Working paper 162, OECD, 1996.

FINANCIAL TIMES
COMPANIES & MARKETS

Monday May 13 1996

Whitbread set to seal licensing deal with Labatt's

By Roderick Oram, Consumer Industries Editor

Whitbread is close to plugging several gaps in its beer portfolio by securing a long-term UK license for Labatt's, the Canadian lager.

The deal would add an unwelcome complexity to the delicate negotiations by Bass to buy Carlsberg-Tetley, the joint venture between the Danish brewer and Allied Domecq, to make it the largest UK brewer.

Labatt has a sales and marketing company in the UK which contracts most of the brewing of some 500,000 hectolitres of beer a year to Carlsberg-Tetley.

If Whitbread gets the license it will want to brew the beer. Thus, it will either buy out the contract or let it run its course. Either way, the eventual loss of volume would likely lead Bass to reduce its offer for Carlsberg-Tetley.

Bass faces an uphill struggle to win regulatory approval for the acquisition because the merged group would have more than 35 per cent of the market. Losing Labatt's would not ease the way because competition regulators appear not to count contract volume towards market share.

With the license, Whitbread will gain its first "ice" beer and its first bottled US beer, Rolling Rock. Its market share will rise by about one percentage point to about 15.5 per cent, industry executives said.

"This will give Whitbread additional volume but with a North American slant which doesn't affect its large sales of Heineken and Stella Artois," an analyst said. Valuing the deal was difficult, a competitor said, without knowing the exact terms of up-front payments and royalties.

The opportunity to pick up the Labatt's license arose, competitors said, when Interbrew, the Belgian owner of Stella Artois, acquired the Toronto brewer last summer. Since then, Interbrew has been seeking a new UK licensee to give Labatt's a firmer footing in the competitive UK market.

Labatt contracted out UK brewing first to Greenalls Group, then Allied Domecq and now Carlsberg-Tetley. Vaux, the northern brewer, also produces and packages for it.

Whitbread was the likely choice for the Labatt's license because it handles Stella Artois for Interbrew. But a deal would present Whitbread with some portfolio issues to resolve, a competitor said.

Notably, most of Labatt's sales of are of Labatt's Canadian, a standard lager of 4 per cent alcohol by volume. This will compete against standard Whitbread's Heineken. Similarly, Labatt's Blue is at the bottom end of the premium sector competing against Heineken Export and Stella Artois.

In a further twist to its strategy, Labatt had also plunged into UK pub ownership, building up a chain of some 500 pubs, most of which were acquired from big brewers when the government forced them to reduce their estates.

It is highly unlikely Whitbread will take on the pubs as well, an analyst said.

Labatt's chain will be added to the large pool of pubs up for sale. Last week, Inntrepreneur, the joint venture between Grand Metropolitan of the UK and Foster's Brewing Group of Australia, sold 1,400 pubs to a bank syndicate, which in turn is seeking long-term buyers.

US drilling rivals court Transocean

Norwegian group accepts Sonat offer despite higher counter bid from Reading & Bates and plea by main shareholder to reconsider

By Hugh Carnegy in Stockholm

A transatlantic bid battle for the hand of Norway's Transocean Drilling, one of the world's leading offshore drilling companies, is set to continue this week despite a recommendation from the Oslo-based target that its shareholders accept a $1.46bn merger offer from Sonat Offshore Drilling of the US.

In the latest consolidation move in the highly specialist drilling industry, Transocean's board late last week decided to stick by its acceptance of the Sonat offer despite a revised counter bid by Reading & Bates, another US driller, that raised the value of its rival suit from $1.51bn to $1.56bn.

Transocean took the decision despite an appeal from Tiger Management, a hedge fund that is its biggest shareholder with a 22 per cent stake, urging the company to take another look at the Reading & Bates offer. "We urge the board to reassess the merits of its decision to negotiate exclusively with Sonat Offshore at this time. Our view is that the Reading & Bates proposal offers superior value to the company's shareholders," Tiger Management wrote to Transocean in a letter quoted by Reuters news agency.

The Tiger intervention was a boost to Reading & Bates – which is based, like Sonat in Houston. It said it would press ahead with its bid, hoping its higher offer would woo other big shareholders.

But Transocean, whose chairman Mr Kristian Siem controls a 5 per cent stake, said it had decided to go ahead with a merger with Sonat because it believed such a move offered better future earnings, financial strength and share price strength. "Sonat's proposal was clearly superior," the Transocean board said. Under the deal, the two companies would merge under the ownership of a holding company called Transocean.

The Norwegian company also preferred the structure of the Sonat offer, which offered 20 per cent in cash and the balance in Sonat shares.

The Reading & Bates offer is an all-share bid and is conditional on 90 per cent acceptance, which Sonat's is not. One issue clouding the valuation of the respective bids has been the volatility recently of both Sonat's and Reading & Bates' share prices.

Transocean operates a range of offshore drilling and maintenance services. It specialises in exploration and pre-production drilling when oil and gas finds are brought up to full output for oil companies.

It is active in West Africa, as well as the Gulf of Mexico, Brazil and the North Sea, where Sonat also operates. Transocean is attracted by Sonat's leading edge technology in deep water drilling, an area in which the Norwegian company has not been involved to date.

Tenneco targets growth in Europe

By Tim Burt in London

Tenneco, the acquisitive US conglomerate, has recruited Sir David Plastow, the former chairman of Inchcape and chief executive of Vickers, to help the company expand its automotive interests in Europe.

The company, which last year spent $1.7bn (£1.1bn) on acquisitions, has invited Sir David to become a non-executive director with a remit to scrutinise acquisition opportunities emerging from the consolidation in the automotive components sector.

Plans to expand Tenneco's automotive operations follow its announcement six weeks ago that it was demerging its Newport News shipyard – the largest naval shipbuilders in the US – and its $1.9bn energy business.

The demerger will leave Tenneco with two main divisions, packaging and auto components.

Together, those businesses contributed 53 per cent of the group's profits last year. In 1995, the automotive division reported operating income of $240m on sales of $2.5bn.

Mr Dana Mead, chairman, predicted that component sales could rise to about $3bn following organic growth and further acquisitions.

"We see ourselves as a player in the consolidation process and we will be asking Sir David, our only non-US director, to look out for growth opportunities," he added.

Mr Mead hinted that Tenneco could consider "sizeable" bolt-ons in the sector, particularly following the sale or demerger of its energy division

That business has a value free of debt of about $2bn. The spin-off value of Newport News has been put at up to $1.3bn.

In addition, Tenneco has credit facilities of $2.52bn.

Sir David, whose appointment is expected to be confirmed tomorrow, said companies such as Tenneco regarded the UK as a good location to set up low-cost manufacturing operations.

It will be the second time he has served on the Tenneco board. He was previously a non-executive director from 1985 to 1992, when he stepped down following his appointment at Inchcape.

Welcoming Sir David's appointment, Mr Mead added: "His perspective will benefit Tenneco shareowners greatly as we continue to grow internationally and build our automotive parts business."

Sir David Plastow: recruited

Bank is reducing its reliance on derivatives, writes **Richard Waters**

Putting back the trust into Bankers Trust

When Bankers Trust agreed last week to swallow $150m of derivatives losses for a customer, Procter & Gamble, it marked the end of an episode that the New York bank – and the derivatives industry at large – will be relieved to put behind it.

The argument over two leveraged interest rate swaps had become an ugly advertisement for a business which had become one of the most profitable in the financial industry. The instruments bought by P&G, promoted as forms of protection against sharp interest rate movements, turned out to be speculative bets.

That helped draw attention to the fact that derivatives like these fall largely outside the scope of regulation: the new frontiers of finance turned out to be as lawless as the Wild West.

The P&G swaps were also a reminder of a market upheaval that most banks and their customers would rather forget. In early 1994, when the Federal Reserve began to raise interest rates, many of the assumptions underlying the risk management models on which derivatives are based proved deeply flawed.

Bond markets around the world shuddered too – something that the models had not allowed for.

Looking back at the traumas of early 1994, a senior derivatives executive at one of biggest derivatives dealers breathes a sigh of relief. "The industry weathered this quite well," he says now. The same could hardly be said for Bankers Trust itself.

Certainly, the over-the-counter derivatives markets have continued to grow by leaps and bounds. From $11,300bn at the end of 1994, the notional value of swaps and related products had risen to $18,000bn by end of last year. While the actual amounts at risk are far smaller, this gives some idea of how fast the market is still growing.

This is only part of the story, though. Anecdotal evidence suggests that the profitability of the derivatives business has waned. Most of the volume is accounted for by straightforward interest rate swaps which are traded in large volumes and with very low profit margins. The most complicated, or structured, instruments, which yield higher profits, went out of fashion with the P&G debacle.

Also, despite the resolution of the P&G case – the last of a series of disputes that prompted an overhaul of Bankers Trust's own senior management – the industry still faces some difficult questions over regulation.

In particular, some lawyers who represent buyers of derivatives argue they are securities, and so should be subject to the full panoply of the US's securities legislation – or, at the very least, that they should fall under the anti-fraud provisions of the Commodities and Futures Trading Commission.

By settling the P&G case out of court, Bankers Trust helped to shelve a debate on this issue. Mr Dan Cunningham, a partner at Cravath Swain & Moore, a New York law firm which advises a derivatives industry trade group, accepts these are matters that still need to be resolved – though the industry would rather it were left to Congress than the courts.

While the over-the-counter derivatives markets have continued to flourish, however, Bankers Trust – a bank which was once in the forefront of their development – has struggled.

In 1993, a third of the bank's profits came from what it calls "client risk management" – basically, selling derivatives; in 1994, it was more than 40 per cent. Since then, with the stigma of the P&G and other disputes hanging over it, many customers have been less enthusiastic about doing business with the bank.

A Bankers Trust official cautions that other banks have seen their reliance on profits from derivatives fall. Also, Mr Frank Newman, who last month added the title of chairman to the one of chief executive he has held since the beginning of the year, has made clear that he wants the bank to become less reliant on derivatives in future.

This may not be entirely by choice, though. Given the bad publicity, it may take years for Bankers Trust's derivatives business – and its trading operations generally – to recover their old levels of profitability, says Mr George Salem, an analyst at Gerard Klauer Mattison in New York.

In the meantime, the over-the-counter markets look like falling increasingly under the sway of a group of bigger banks with better credit ratings – institutions such as J. P. Morgan in the US, along with the big Swiss banks and, increasingly, Deutsche Bank.

Whether by desire or necessity, Mr Newman's new course for Bankers Trust will involve maintaining its broad array of businesses, which range from asset management and global custody to syndicated lending and bond underwriting.

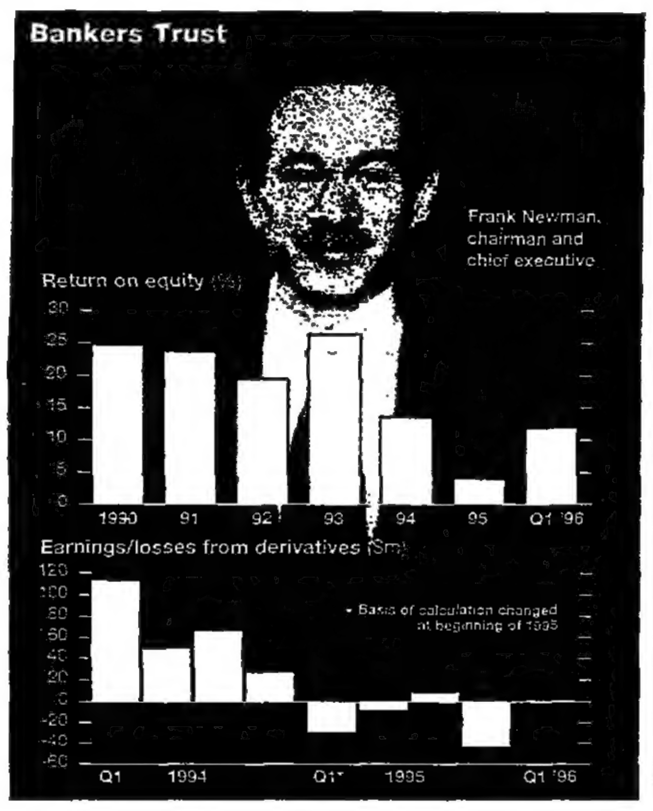
That may prove a tough job. The bank has other troubled businesses to put in order, including its asset management unit. Also, while its profits have begun to recover, its return on equity remains well behind its biggest US competitors.

Mr Newman has also set his sights on rebuilding Bankers Trust's reputation as a relationship bank. He is moving the bank away from being the adversarial trading house it was viewed as following the fall-out from the derivatives business.

In this regard, at least, laying to rest the P&G case marks a big step forward.

Lex, Page 18

The new frontiers of finance turned out to be as lawless as the Wild West



INSIDE

Olivetti

Olivetti, the Italian computer group, is to float Lexikon, its office equipment subsidiary, on New York's Nasdaq stock exchange at the end of this year or the beginning of next year. Page 21

Viag

Viag, the German conglomerate, said sales at its aluminium, packaging and steel trading activities had been badly affected by the economic slowdown in Germany. It expected to report 1996 net profits of DM1bn ($659m), in line with last year's underlying net profits. Page 22

Lloyd's

A merger deal will create the largest underwriting syndicate at Lloyd's of London. Murray Lawrence, one of the largest managing agencies running syndicates at Lloyd's, plans to merge seven existing syndicates under a giant "umbrella". Page 20

Fund Management

Last week the Confederation of British Industry said it wanted to open talks with institutional shareholders about making the system of pre-emption rights more flexible. Companies have often grumbled that the system – whereby existing shareholders have right of first refusal when a new slug of a company's shares come to market – raises their cost of capital. Page 23

Faces

Mr Maurice Dwek, once the scourge of the Swiss bond market cartel with his Soditic investment bank, is to ride again. At one point Soditic was Switzerland's fourth largest issuing house but its name disappeared when it was taken over in 1990 by SG Warburg, which in turn was absorbed into Swiss Bank Corporation last year. The new group will operate in trade finance, loan syndication, leasing, merger advice and some equity dealing and placements. Page 23

STATISTICS

COMPANIES IN THIS ISSUE

Fund managers switch out of UK equities

By Nicholas Denton in London

The UK fund managers which have underpinned the stock market's five-year bull run have disclosed in a survey published today that they intend to switch heavily out of UK equities.

The institutions, which were net buyers of UK shares until last October, have turned more bearish than at any time this decade, according to the monthly poll conducted by Gallup for Merrill Lynch, the investment bank.

A balance of 35 per cent of fund managers planned to reduce their exposure to UK equities after a sharp shift in sentiment from a month ago, when sellers outnumbered buyers by a margin of 21 per cent.

UK pension funds, which had 58.2 per cent of their holdings in UK equities a year ago, already say in this month's survey they have reduced that weighting to 55.7 per cent, a relatively rapid shift.

The institutions say they are piling into UK property and index-linked gilts, investments which prosper late in every upswing as commercial rents and prices increase.

The growing pessimism comes with the FTSE-100 index stalled below 3800, after rising steadily from the 3000 mark in March 1994. Equity strategists, whose forecasts for the year-end range from 3400 to 4200, provide no consensus on direction.

Strategists said fund managers' answers were unreliable and their plans fickle and bearishness by fund managers has often signalled, not a downturn, but a new surge.

The selling signalled by institutions may be already discounted by the market or may even have taken place already. Mr Mark Brown, global strategist at ABN-Amro Hoare Govett, said of sellers' tactics: "You do it and then you tell."

According to strategists, the worst of the selling pressure is often over by the time it comes to light. "Quite often the times when people have been pessimistic have been the times to buy," said Mr Trevor Greetham, global strategist at Merrill Lynch.

Support for the market has also come from record takeover activity. Liquidity has remained high as bidders transfer cash to institutions in exchange for their stakes in target companies.

But fund managers, who expect a Labour election victory by a margin of 91 per cent to 9 per cent, are concerned the next government will inhibit takeover activity – which is one of the reasons for their pessimism.

Murray Lawrence in Lloyd's merger

By Ralph Atkins,
Insurance Correspondent

Consolidation at Lloyd's of London is being accelerated by a merger deal which will create the insurance market's largest underwriting syndicate, backed partly by the new generation of limited liability investors.

Murray Lawrence, one of the largest managing agencies running syndicates at Lloyd's, plans to merge seven syndicates under a giant "umbrella" syndicate that will have the capacity to underwrite business generating more than £500m in premium income. That would put it on a par with a middle ranking UK insurance company.

The group also plans to create an insurance company to supply permanent capital to the umbrella syndicate and own the managing agency.

Existing, traditional Names on Murray Lawrence syndicates will be offered the chance to buy shares in the new insurance company but could carry on underwriting on the umbrella syndicate with unlimited liability. Names are individuals whose assets have traditionally supported Lloyd's.

Mr Paul Archard, Murray Lawrence managing director, said the merger reflected a worldwide trend towards larger insurance companies offering greater financial security and more efficient use of capital. Some Names are worried that consolidation at Lloyd's will reduce the choice of syndicates. But Mr Archard said: "It is no good them having all the choice in the world, if they are in a dwindling business."

Similar deals are likely at Lloyd's as the market moves closer to implementing its recovery plan this summer. Many traditional Names are expected to leave Lloyd's, paving the way for additional corporate investors. Downward pressure on premium rates is also threatening profitability, increasing the incentive for consolidation.

Under the Murray Lawrence deal, expected to be in place by next year, the company will reduce its underwriting capacity from £632m this year. But it expects the more efficient use of capital and other economies will increase returns by at least 14 per cent.

Murray Lawrence has not ruled out floating the proposed new insurance vehicle. Although it is merging its syndicates, it plans to continue operating seven underwriting units covering different product areas to preserve underwriters' freedom.

Vodafone advertising budget to rise to £20m

By Christopher Price

Vodafone, the UK's biggest mobile telephone group, is to more than treble its advertising budget over the next year to £20m in response to the growing threat of competition, particularly from Orange, the newest entrant to the £4.5bn UK cellular telecoms market.

Vodafone considers the competitive 'war' has now moved away from issues of price and coverage to marketing.

Orange spends around £30m a year on advertising, and the size of its expenditure has helped the group, which floated earlier this year, to a 7 per cent market share in its three years of operation.

Orange has taken a bigger proportion of new connections, and in the digital market – seen as the future technology in the industry – it holds more than a 25 per cent share.

Vodafone is also responding to the growing uniformity in the market.

Vodafone, Cellnet and Mercury One-2-One have all introduced new tariff structures in the past year to head off claims of overpricing from the other operators.

Vodafone claims to have 2.45m subscribers in the UK, 520,000 of whom are digital customers. Cellnet has 2.38m subscribers, while Orange has has 488,000 digital subscribers. One-2-One is believed to have about 410,000 digital customers.

Lucas Pension restructures £3bn portfolio

By Norma Cohen

Lucas Pension Scheme has restructured its £3bn portfolio in the largest such move ever made by a UK pension fund.

The techniques used could prove a model for other schemes anxious to reshape their investment mix while minimizing the costs.

The move followed a review of the scheme's investment strategy which showed that its approach was not likely to offer the highest returns over the next 10 years.

The new strategy involves a significant investment for the first time in emerging markets securities. It also involves a sharp reduction in its holdings of UK equities, to 60 per cent of the total from 84 per cent. The scheme has increased equity investments overseas to 20 per cent of the portfolio and eliminated its property investments.

The 6 per cent stake in Lucas will remain until the outcome of the company's talks about a possible merger are resolved.

The techniques used in the restructuring, which took place over a three-month period, could prove a model for other schemes.

From next year, UK pension schemes will have to meet a new Minimum Funding Requirement which may force some to restructure their portfolios and increase their holdings in UK government gilts while selling equities.

Mr Alan Rubinstein, executive director of Lucas Pensions Investment Management, the in-house fund manager for the engineering firm's scheme, said the total cost of the restructuring was "well below" the one percentage point of total assets normally associated with such a move.

The scheme used the US-based investment banks Goldman Sachs and Morgan Stanley to effect the trades.

Mr Girish Reddy, an executive director of equity derivatives at Goldman Sachs, said that trading costs were also minimised by buying from and selling to other clients of the firm.

The scheme's assets will continue to be managed in-house with the exception of the emerging markets portfolio.

Of the £300m to be invested, £200m will be in an indexed portfolio managed externally by BZW Barclays Global Investors.

The remainder will be actively managed by Genesis Investment Management.

The scheme is "comfortably" over-funded and the company has not had to add cash since 1985.

Cellular phone group in flotation

By Patrick Harverson

European Telecom, the Slough-based distributor of cellular telephones and accessories, is expected to be valued at more than £35m when it comes to the stock market next month.

Founded in 1990 by Mr Warren Hardy, its current chief executive, European Telecom has built up annual sales of £78.5m and in its most recent financial year made a profit of £2.44m. The company supplies phones and accessories to 1,400 customers in over 40 countries, with more than 70 per cent of its sales exported overseas.

Singer & Friedlander, the merchant bank, is financial adviser to the company and Collins Stewart has been appointed stockbroker. The prospectus is expected to be ready this month.

Charterhouse recruits Michael Hepher from BT

By Roger Taylor

Mr Michael Hepher, former managing director at British Telecommunications, has been appointed chief executive of Charterhouse, the investment bank, in a move which will be seen as an impressive catch by Charterhouse.

Mr Hepher, 52, will receive a salary and performance related bonus which together are guaranteed to be not less than £700,000 in the first year.

He resigned from BT last year with the intention of taking up a job in financial services.

Before working at BT he had been chairman and chief executive of Lloyds Abbey Life.

Charterhouse is owned jointly by Crédit Commercial de France, based in Paris, and Berliner Handels-und Frankfurter Bank, based in Frankfurt.

The three banks, acting in partnership, aim to become the leading pan-European investment banking group. Between them they have £70bn in assets and capital of £3bn.

Michael Hepher: 'extremely excited' about Charterhouse

Mr Hepher said he was "extremely excited" about Charterhouse's ambitions and said that his task was to make "one plus one plus one come to more than three".

He added that he had "more experience than most" of bringing together companies with different cultures.

At Lloyds Abbey Life he oversaw the successful merger between Abbey Life and Lloyds Bank, and at BT, he he was responsible for a joint venture with US group MCI.

Mr Philip Ranger, head of communications at Charterhouse said: "It is difficult enough to get two organisations to blend together and here we are trying to do it with three. Michael has the experience and expertise to manage this." Mr Victor Blank will remain as chairman.

Bates Worldwide paid Bungey £728,251

By Jane Martinson

Mr Michael Bungey, head of advertising agency Bates Worldwide, received a total pay package of £728,251 in his first year as a board member of Cordiant. Mr Bungey's salary rose 7 per cent to £433,327 after a pay review, while other benefits reflected his move to the US. His bonus was £119,165.

The year, in which Cordiant was formed after its acrimonious split from the Saatchi brothers, was described by Mr Bungey as a "roller coaster". Bates was hit by the withdrawal of the $400m (£263m) a year Mars account. Cordiant said the package reflected the market price and the role Mr Bungey played.

Mr Edward Wax, who was also appointed to the Cordiant board in January 1995, received a total of £686,657 for his role as head of Saatchi & Saatchi Advertising Worldwide.

Mr Bungey will receive a performance-related bonus of 40 per cent of his annual salary in 1996, as will Mr Wax, Mr Charles Scott, the chairman, and Mr Robert Seelert, the chief executive.

TR set to win Thornton bid

By Roger Taylor

TR Pacific, the £185m investment trust, is expected to announce today the successful outcome of its £160m recommended bid for Thornton Asian Emerging Markets investment trust. By the first closing date, last Friday, more than 70 per cent of Thornton Asian shareholders had accepted the bid.

TR Pacific is offering either cash or shares for Thornton.

Rodime fight in setback

Rodime, the disc drive pioneer whose main assets are patents on 3½-inch disc drive technology, has received a setback in its US legal battle. Its shares fell ½p to 3p on Friday.

It has been told there is little chance of overturning a decision that ruled invalid all its claims against Quantum. It has also suspended its suit against Western Digital to ensure its case against Seagate, another disc drive maker, reaches court.

WEEKEND SHARE WATCH

A digest of Saturday and Sunday comment on UK companies

■ Mr Tiny Rowland, the founder of Lonrho, has issued a High Court writ against Mr Dieter Bock, the group's German chief executive, over allegations that Mr Bock failed to pay a £250,000 debt to a Swedish financier, according to reports in several Sunday newspapers. Mr Rowland was said to have launched the case after paying the financier, Mr Christian Norgren, £1 to "buy" his legal action against Mr Bock. A spokesman for Mr Bock described the claim as "spurious".

The High Court writ by Mr Rowland is seen as part of his ongoing battle with Mr Bock, who ousted him as head of Lonrho in 1995.

■ Save & Prosper, the unit trust and investment group owned by merchant bank Robert Fleming, is being investigated by the Investment Management Regulatory Organisation, the city watchdog. The investigation, which could result in a fine, follows administrative problems with the £500m Save & Prosper Managed Portfolio Pep, a personal equity plan.

Save & Prosper said: "We believe IMRO's investigation concerns something that happened 12 months ago, and which we have now rectified. There was never any threat to clients' money".

■ World Ostrich Farms – one of a number of companies which invited people to buy ostriches – is being proceeded against by the chief city regulator, the Securities and Investment Board.

The SIB is alleging the company operated a collective investment scheme without the necessary authorisation under the Financial Services Act.

World Ostrich Farms recently went into voluntary liquidation and the SIB is now seeking to recover money on behalf of WOF's customers.

APPOINTMENTS

Olivetti to float Lexikon on Nasdaq

By Andrew Hill in Milan

Mr Carlo De Benedetti, Olivetti chairman, said the Italian computer group would float Lexikon, its office equipment subsidiary, on New York's Nasdaq stock exchange at the end of this year or the beginning of next year.

Speaking at Friday's annual meeting of shareholders, Mr De Benedetti said Olivetti was considering the sale of some 40 per cent of Lexikon, but he did not put a value on the company. In the past Lexikon has been valued at as much as L800bn ($513m).

Olivetti had already announced its intention to seek a stock market listing for Lexikon as part of the group's overall restructuring plan, but until Friday no details had been given.

Mr De Benedetti said Credit Suisse First Boston, which is advising Olivetti on the sale, was also considering whether to grant Olivetti shareholders rights to shares in Lexikon.

"It's possible . . . the flotation will take place in a form which allows Olivetti shareholders to participate," said Mr De Benedetti, although he added there were certain legal and practical obstacles to overcome.

Olivetti is looking to make a net profit following last year's record net loss of L1,598bn, mainly blamed on restructuring charges and interest payments.

Carlo De Benedetti: considering the sale of some 40 per cent

Last year's record L2,257bn rights issue was aimed at funding the recovery of Olivetti's personal computer division, which is losing money, and the acceleration of its transformation into a broad-based information technology and telecommunications company.

Some 70 per cent of Olivetti's shares are now owned by non-Italian investors, but none of them spoke at Friday's meeting. Two US pension funds, representing less than 1 per cent of Olivetti's capital, voted against the resolution to appoint new board members. Olivetti said only 0.19 per cent of the overall share capital opposed the resolution.

Olivetti said first-quarter operating profits were higher than in the first quarter of 1995, and it repeated its determination to return to net profit this year. The company also published details of the first-quarter results at the PC company. It lost L18.7bn in January, offset by pre-tax profits of L400m and L1.4bn in February and March respectively.

Mr De Benedetti said the PC division and Omnitel Pronto Italia, the mobile telecommunications operator in which Olivetti has a 41 per cent stake, were both performing better than expected. Systems and services, Olivetti's biggest operation division, was returning results slightly lower than budget at the moment, he said.

● Mr Mario Sarcinelli, chairman of Banca Nazionale di Lavoro, said he hoped its privatisation would be launched within the next three years, AFX News reports from Rome.

Speaking on Friday after BNL's AGM re-elected him for another three years, he said the treasury's reconfirmation of the bank's management and most board members was a sign of its wish to commit to privatisation.

Guangshen Railway oversubscribed

By John Ridding in Hong Kong

Guangshen Railway's public share offer in Hong Kong was heavily oversubscribed, with demand exceeding supply by just over seven times.

The operator of passenger and freight rail services between Guangdong and Shenzhen in southern China is the latest mainland company to list on the Hong Kong market. These issues, dubbed H-shares, have shown signs of recovery over recent weeks after a protracted period of sharp falls.

In addition to the Hong Kong offering, Guangshen will be listed in the US in the form of American Depositary Receipts. One ADS equals 50 H-shares.

Net proceeds of the issue, estimated at about HK$3.42bn (US$442m), will be used to purchase new rolling stock and locomotives, to reduce debt, and for working capital.

Mr Ge Wenan, Guangshen's chairman, expressed satisfaction with the response from investors. Analysts attributed the strong demand for the issue, the 20th H-share, to the predictable earnings flow at the company and to the fact that liquidity would be supported by its large size.

Signs of an easing in China's austere economic policies and a recent reduction in interest rates have also improved investor sentiment towards the mainland.

● Hopewell Holdings' plans to offer 30 per cent of its Thai unit after securing government support for its Bangkok mass-transit project will be the sternest test of investor confidence in the company, analysts said.

They said Hopewell (Thailand) Ltd's planned IPO, aimed at raising some Bt15bnm, or HK$4.5bn, and its listing on the Stock Exchange of Thailand in 1997 would likely prove critical in determining the fate of Hopewell's participation in the project.

Under the terms of the proposed IPO, Hopewell would retain a 70 per cent stake in HTL, which holds 70 per cent in the Bangkok Elevated Road-Rail System (BERTS) project. With the IPO putting a value on the company at Bt50bn ($1.98bn), Hopewell was being "very aggressive in its valuation", said Mr Philip Niem of James Capel Asia.

HTL has to date put Bt12bn into BERTS. Mr Gordon Wu, Hopewell managing director, said last week it would inject a further Bt3bn after the Ministry of Transport and Communications and the State Railway of Thailand pledged their support for the company to manage the project.

"I would think it unlikely that Hopewell could raise the kind of sum it is talking about for an IPO of HTL," said an analyst with a regional broker.

Peugeot to reduce French workforce

By David Owen in Paris

Automobiles Peugeot, one of the carmaking subsidiaries of Peugeot-Citroën, the French car group, is to reduce its French workforce by 1,262, or about 2.5 per cent, as part of its efforts to control costs.

The company said the reductions, which will cut its French workforce to less than 50,000, would be effected by June 1997. All those who leave are expected to do so voluntarily. Affected sites would be Sochaux, Mulhouse, Poissy, Sept-Fons and Valenciennes.

The company, which is striving to maintain its position as one of Europe's most efficient carmakers, said it was having to operate in a difficult economic environment.

European car sales had fallen from 13.5m vehicles in 1992 to just over 12m in 1995. This decline was equivalent to "the annual sales of a large European manufacturer".

It said manufacturers based in countries with strong currencies, including France, were operating under a handicap when compared with those based in countries with weak currencies.

The disclosure followed last week's announcement by Peugeot-Citroën of a 1.3 per cent increase in first-quarter sales from FFr42.67bn a year earlier to FFr43.24bn ($8.37bn).

However, the number of vehicles sold worldwide by the group slipped below the 500,000 mark to 494,700. Sales of Peugeots fell 13,500 to 290,700, whereas sales of Citroëns rose to 204,000 from 197,000.

Last month, Peugeot-Citroën reported a 45 per cent decline in 1995 net profits to FFr1.7bn and cut its dividend from FFr6 to FFr5 a share after what it termed a "disappointing" year. Mr Jacques Calvet, chairman, said at the time that prospects for 1996 were "rather sombre".

Komerční Banka in further GDR issue

By Vincent Boland in Prague

Komerčni Banka, the leading Czech commercial bank, has completed the sale of its second tranche of global depositary receipts in less than a year with an issue of $50m of shares to new international investors.

The new tranche represents 3.2 per cent of Komerčni's outstanding equity and brings its total GDR programme to about 8.5 per cent of its share capital following an earlier issue last summer.

About $140m of the bank's shares are now held in the form of global depositary receipts by foreign investors.

Each of the 1.83m GDRs in the new issue is priced at $26.40 and represents one third of one share in Komerčni.

Mr Ivo Lurvink, head of CS First Boston in Prague, which lead-managed the issue, said two-thirds of the issue had been placed with European and Asian investors, with the rest sold in the US.

The bank retains the option to increase the size of the issue by 15 per cent before the offer closes on May 15. The GDRs do not carry voting rights.

Two other Czech banks are planning to launch global depositary receipts programmes this year.

Ceska Spořitelna, the savings bank, begins a roadshow this week to woo foreign investors for an issue of up to 10 per cent of its share capital.

IPB, the third largest bank, is also planning an issue later this year, to be lead-managed by Nomura International.

GDRs are popular with foreign investors and with the banks because they have been approved by the Czech National Bank in advance of being issued, so investors do not have to seek specific central bank permission to buy them as they are required to do for direct purchases of shares.

Bank shares prices have risen sharply in recent weeks on the strength of good results in 1995 and a better outlook for bad debts.

NEWS DIGEST

Petrofina forecasts static first half

Petrofina, the Belgian integrated oil company, is forecasting net profits for the first half of 1996 similar to those in 1995, with a weak chemicals market offset by an improving US gasoline market. Mr François Cornélis, chief executive, said 1996 had been difficult, especially in chemicals. Petrofina was also still suffering from the dollar's weakness against the Belgian franc.

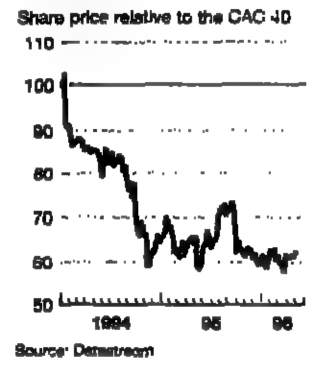
However, refining margins had improved "substantially" in April and May due to a recovering US gasoline market. Overall, Mr Cornélis said, net profit for the first half "should be at the same kind of level as the first half in 1995", but he believed market conditions would improve in the second half.

Neil Buckley, Brussels

Alcatel Alsthom sales slip

Alcatel Alsthom

Share price relative to the CAC 40



Source: Datastream

Alcatel Alsthom, the French electronics group, said first-quarter sales fell 4 per cent from FFr37.25bn to FFr35.77bn ($6.9bn). On a comparable structure basis, sales slipped 1.4 per cent. First-quarter orders were FFr43.6bn, up from FFr39.1bn. GEC Alsthom, of which Alcatel Alsthom consolidates 50 per cent, contributed FFr8.48bn to group sales, up from FFr7.56bn. Telecommunications sales fell 4.7 per cent to FFr12.89bn in the first quarter but there was a big rise in orders. The decline in sales was chiefly because of a fall in exports by its European units to China and weaker business in fixed networks in France, while the rise in orders came from transmission, access, mobile telephone infrastructure and space communications operations, it said.

Sales in the cables division fell 11.2 per cent to FFr6.74bn, with a decline in billing and new orders reflecting a fall in the market for underwater cables. Alcatel Alsthom said the cable business was improving noticeably in the US and in terrestrial telecommunications cabling.

AFX News, Paris

Shionogi Pharmaceutical link-up

Shionogi Pharmaceutical, Japan's fourth-largest drugmaker, announced it would team up with Bristol-Myers Squibb of the US to conduct the last leg of development of a hypertension treatment licensed by Sanofi of France. The companies will develop and market irbesartan, a new treatment for high blood pressure and heart failure, for the Japanese market. Sanofi has already filed for approval of the drug to the European Medicines Evaluation Authority in Europe.

Emiko Terazono, Tokyo

Hindalco Industries ahead

Hindalco Industries, India's leading aluminium group, lifted gross profits 46 per cent to Rs6.76bn ($191.5m) in the year to March 31, on sales up by 26 per cent to Rs14.22bn. Net profits increased from Rs2.92bn to Rs4.01bn after a substantially higher tax provision of Rs2.40bn against Rs1.38bn. The company raised its dividend by 50 paise a share to Rs6 a share.

Kunal Bose, Calcutta

COMPANIES AND FINANCE: INTERNATIONAL

Sandvik may try for majority stake in Tampella

By Hugh Carnegy in Stockholm

A heated battle for control of Tampella, the Finnish industrial group, by two Swedish rivals has been stepped up by Sandvik, the Swedish tools and speciality steels group, which said it was considering a move to secure a majority stake in the company.

Tampella is also the subject of a SKr1.83bn ($270m) takeover bid by another Swedish company, Svedala Industri, a leading mining and construction equipment maker.

Mr Clas Ake Hedström, Sandvik chief executive, said on Friday that the group might increase to more than 50 per cent the group's 26 per cent holding in Tampella, bought last month for SKr500m from Norway's Kvaerner. Previously it had talked of raising its stake to 40 per cent.

"It is an option to go above 50 per cent – it is a possibility," Mr Hedström said, although he would not say whether Sandvik was actively seeking to buy Tampella shares. He said one option was to convert Sandvik's 25 per cent share in the Tampella subsidiary Tamrock into shares in the parent company.

Sandvik's purchase of Kvaerner's stake was a big setback for Svedala, which is attempting a complete takeover of Tampella. Svedala appeared to suffer a further blow when Rauma, a Finnish engineering group, also purchased a 14 per cent stake in Tampella and said it was prepared to work with Sandvik.

Sandvik has been criticised for not offering equal treatment to Tampella's shareholders – but under local takeover rules it is not obliged to make a full bid for the company.

The battle is one of two that Sandvik has become embroiled in within a month, after years of being known for its solid earnings record, large cash pile and limited ambitions.

In early April it made a SKr1.4bn bid for Kanthal, a Swedish heating wire company, but the offer has so far been rejected by Trustor, a Swedish industrial holding company which holds 50 per cent of the voting rights in Kanthal.

On Friday Sandvik reported a 7 per cent fall in pre-tax earnings in the first quarter from SKr1.4bn last year to SKr1.3bn. Mr Hedström said the rise in value of the Swedish krona since the same stage last year accounted for the difference.

The currency factor was also blamed for a slight fall in group sales from SKr7.5bn to SKr7.42bn. At constant exchange rates, sales were up 6 per cent, Sandvik said, although held back by lower demand in steel markets than at the same time last year, when demand was very high.

The order intake in the first quarter fell from SKr8.2bn to SKr7.4bn. However, Sandvik said the order intake had increased 8 per cent over the last quarter of 1995, reflecting a more stable outlook in the US and favourable conditions in Asia, apart from Japan.

Viag slips but forecasts flat 1996

By Michael Lindemann in Munich

Viag, the leading German energy-based conglomerate, said sales at its aluminium, packaging and steel trading activities had been badly affected by the economic slowdown in Germany this year. However, it expected to report 1996 net profits of DM1bn ($659m), in line with underlying net profits last year.

Mr Georg Obermeier, chief executive, said the Munich-based group was also still having trouble raising its profile among international investors after it emerged that an unspecified number of Viag shares had been sold by US shareholders and had found their way back to Germany.

"We will have to redouble our efforts to create a better presence in the international capital markets," Mr Obermeier said.

He added, however, that Viag was not looking for a new finance director, following the recent surprise departure of Mr Hans Peter Peters, the former investment banker from Morgan Stanley who had done the job for only 10 months.

There are believed to have been tensions between Mr Peters and Mr Obermeier, himself finance director before becoming chief executive last year.

First-quarter pre-tax profits fell to DM668m, 25 per cent lower than during the same period a year earlier when the results had been boosted by the disposal of PWA, the German paper maker, Viag said. Operating results were in line with those reported last year.

Turnover in the first three months had risen in the energy division and at Computer 2000, the computer trading business, but overall sales were down 1 per cent at DM10.9bn.

Schmalbach-Lubeca, the packaging division, would "considerably improve" its profits this year, while SKW Trostberg, the chemicals business, was expected to report an increase, Mr Obermeier said. Generally, he said, results would be dented by a poor business environment. "1996 just doesn't look that good."

Mr Obermeier said Viag was discussing "several" new acquisitions after the rights issue in late March through which the group raised about DM2.9bn.

Above all, the group is looking to expand its energy activities – based around the Bayernwerk electricity utility – by increasing its stake in Isar Amperwerke, the regional Bavarian utility.

The German cartel authorities have so far sought to block this purchase because RWE, another leading German utility, also holds a stake in Isar Amperwerke.

Expanding the group's energy activities is also likely to mean that Viag will raise its 10 per cent stake in the Berlin regional utility and buy into the Hamburg utility.

Other acquisitions may follow in eastern Europe, especially in Hungary where Bayernwerk recently took a majority stake in Dedasz, a regional utility. The group also wants to expand its chemicals activities so that SKW Trostberg is able to offer a bigger range of chemicals used in the construction industry.

One possible acquisition would be Goldschmidt, the chemicals company in which Viag already holds about 20 per cent.

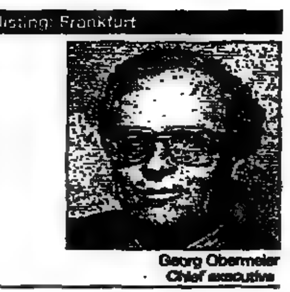
"If we were able to do that it would definitely be a success," Mr Obermeier said.

PROFILE:

Viag

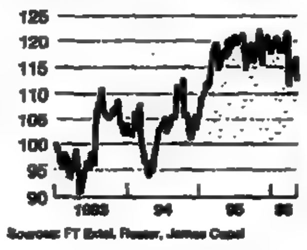
Market value: $10.2bn Main listing: Frankfurt

Historic P/E	14.82
Dividend yield	1.71%
Earnings per share	DM 39.30
Current share price	DM 574.75

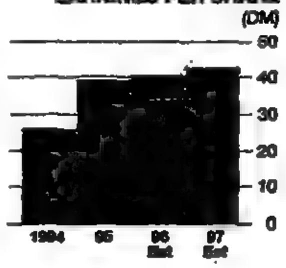


Georg Obermeier
Chief executive

SHARE PRICE
Relative to the Dax index



EARNINGS PER SHARE (DM)



Sources: FT Extel, Reuter, James Capel

NEWS DIGEST

First-quarter boost for Dresdner Bank

Dresdner Bank expects a marked rise in profits this year after a strong performance in the first quarter, Mr Jürgen Sarrazin, the chairman, told the annual meeting. But he said it would be wrong to expect the trend of the first-quarter – in which operating profits more than doubled – to continue for the whole year. While Dresdner benefited from "a following wind", performance was influenced by one-off profits or fluctuating market conditions.

Mr Sarrazin said commission business in securities had shown unusually high profits in the first two months. The result compared with a poor first quarter in 1995 and also reflected the first-time consolidation of Kleinwort Benson, the UK investment bank. Financial trading profits had also risen, already reaching nearly two-thirds of last year's total.

However, traditional loan business remained flat. Group interest income was 3 per cent higher in the first quarter, but slightly down at the parent bank. Costs rose 17.5 per cent, although only 4.7 per cent with the exclusion of Kleinwort Benson. Mr Sarrazin said stagnating interest margins showed the need to cut costs. In 1995, Dresdner raised operating profits 22 per cent to DM1.99bn ($1.31bn), with most of the growth coming from abroad.

Andrew Fisher, Frankfurt

Zurich Insurance ahead 25.7%

Zurich Insurance, the Swiss-based insurance group, announced a 25.7 per cent increase to SFr874m ($706.6m) in net profits for 1995, compared with SFr695.4m in the previous year. The group said non-life pre-tax profit rose 41.1 per cent, from SFr896m a year earlier to SFr1.3bn, and its non-life business rose by 16.2 per cent from SFr142.1m to SFr165.1m.

Zurich said the increase in both non-life and life pre-tax profits led to the "gratifying rise" in 1995 net profit. Analysts had expected Zurich to post a 1995 net profit of between SFr826m and SFr850m. The dividend was set at SFr6, at the higher end of expectations, compared with SFr4.80 last time.

Non-life business claims in 1995 were lower than the previous year, while the overall loss ratio "nevertheless increased" as a result of a strengthening of technical reserves in 1995. Parent net profit rose 36.4 per cent, from SFr351.5m a year earlier to SFr479.4m.

AFX News, Zurich

Arjo Wiggins unit lifts sales

Arjomari-Prioux, the Arjo Wiggins Appleton unit, recorded sales in the three months to March up from FFr7.1bn a year earlier, to FFr7.4bn ($1.4bn), according to a company announcement in the official bulletin, BALO.

AFX News, Paris

FINANCE

Sniping over the share slugs starts up again

Norma Cohen on the row over pre-emption rights which give first refusal to existing shareholders

A time-honoured method for raising new equity capital in Britain – pre-emption rights – has long been the subject of skirmishes between companies and institutional investors.

The sniping has started again – but this time there are signs that the two sides are prepared to come out of their bunkers and countenance change.

Pre-emption rights give a company's existing shareholders the right of first refusal when a new slug of that company's shares come to market.

Companies have often grumbled that the system raises their cost of capital.

Last week they turned the heat up when the Confederation of British Industry said it wanted to open talks with institutional shareholders about making the system more flexible.

Some of Britain's leading institutions have begun to acknowledge that there is merit in some of the companies' complaints – although they insist that the general principle of pre-emption (which is enshrined in company law) must remain.

Institutions have insisted that any company wanting to issue shares worth more than five per cent of its existing capital must first offer those share to existing investors in proportion to their current holding.

The CBI companies committee argues that the five per cent ceiling should be lifted to, say, 25 per cent. It points out that this would bring the system in line with Stock Exchange guidelines which say that a company may issue, without shareholder approval, new equity worth up to 25 per cent of its outstanding capital in exchange for other shares – say in a business it wishes to acquire.

Why should a company not be allowed to do the same when raising cash, especially when that cash is immediately redeployed into the purchase of another business?

Indeed, shareholders in Granada failed to emit a peep when their company issued new shares equal to 46 per cent of existing share capital to buy Forte, and the owners of Rentokil did not protest when, in the interests of acquiring BET, the company issued new shares equal to 43 per cent of existing capital.

So why is an outright offering of shares for cash so objectionable? Critics say institutions are reluctant to change because the current system is so lucrative for them.

FUND MANAGEMENT

They benefit in two ways. First, those who sub-underwrite the issue earn a fixed 1.25 per cent commission, regardless of the riskiness of the issuer or prevailing market conditions.

Second, the new shares are almost always sold at a discount to prevailing market prices, typically 15 per cent. And because companies almost always maintain their existing dividend after issuing new shares, the institutions benefit from a higher dividend yield on the additional stock.

Finance directors complain that the underwriting fees and the higher dividend payouts reduce the return they can hope to make on the new capital, and that this may discourage investment. "It induces a low growth mentality," says Mr John Mayo, finance director of Zeneca, the drugs company, and a critic of the pre-emption system.

The institutions, for their part, say the debate about the merits of pre-emptive rights has been wrongly confused with a separate issue – the practical way in which those rights are honored.

"We believe that pre-emption rights are a fundamental protection for shareholders as owners of a company, providing protection against involuntary dilution [of their stake in the business]" said an official at Mercury Asset Management, Britain's largest independent fund management group. "The issue of the cost of capital is a separate one."

Some leading institutions are signalling that they are prepared to give ground on the cost of capital arguments. They are willing to negotiate the size of their commissions; and they are prepared for companies to adjust their dividends downward when issuing new equity at a discount to market value.

"We accept that if you maintain the dividend when you have issued new equity at a discount, you have in effect raised the dividend," said a director at one leading fund management company.

The Association of British Insurers and the National Association of Pension Funds are also saying that companies should feel free to adjust dividends downward.

Mr Richard Reagan, secretary to the ABI's investment committee, insists that this has always been the view of UK institutions. The problem, he says, is that investment bankers have a vested interest in preserving the system – they share a further 0.75 per cent fixed commission on rights offerings – and advise their corporate clients that it is better not to try to rock the boat.

The institutions complain the only reason pre-emption is on the agenda now is that investment banks would like to earn even higher fees out of share issues. In the US, where pre-emptive rights were scrapped decades ago and shares are often distributed via a book building – effectively an auction system where shares go to the highest bidder – fees are typically three times higher than those in the UK.

But if the institutions have always been so accommodating, why has it taken them so long to deliver this message to corporate Britain? The answer is surely self-interest. As one fund manager put it: "Why should we object to being given something for nothing?"

FACES

Maurice Dwek returns to the financial fray

Mr Maurice Dwek, (below), once the scourge of the Swiss bond market cartel with his Soditic investment bank, is to ride again with a new set of partners, writes **George Graham**.

Mr Dwek founded the original Soditic in Geneva in 1971, but kept rights to the name when it was taken over in 1990 by S.G. Warburg. When Warburg became part of Swiss Bank Corporation last year the original investment banking business in Geneva, and most of its 60 employees, became redundant.

Half a dozen disgruntled former executives from Warburg approached Mr Dwek with the idea of a new venture. Now 64, Mr Dwek, who is chairman of the new group, says he plans to leave the day to day work to his younger partners.

The new-look Soditic, however, has no intention of returning to its old pastures. In the 1970s, the group made a dent in the Swiss market with innovations such as the first dual currency bond and the first interest rate swap, as well as with the development of a market for high yield bonds from issuers like Heron Corp and Polly Peck.

At one point it was Switzerland's fourth largest issuing house.

In its new guise, Soditic has no plans to get back into bond issues. Instead, the group will develop niches in trade finance, loan syndication, leasing, merger advice and some equity dealing and placements.

Mr Dwek is joined by Mr Francis Stobart, Mr Didier Benaroya, a former Paine Webber managing director and co-founder of The Transportation Group; Mr Luigi de Carlo, former head of European equity trading for Warburg; Mr Dominic Dreyfus, a loan syndication and trade finance specialist who joined the old-style Soditic in 1983; Mr Mark Katzenellenbogen, a Warburg corporate financier who will take Soditic into the South African market; and Mr Marco Dwek, an equity sale specialist who also happens to be Maurice's nephew.

Business as usual at Crédit Lyonnais

Mr Marc Poli hopes this week will be back to "business as usual," writes **David Owen**. Crédit Lyonnais' director of interest rate and currency markets intends to have his full complement of 160 employees hard at work – albeit in unfamiliar surroundings.

Mr Poli, a 49-year-old sociology and history graduate, worked through the night last Sunday getting the French bank's back-up dealing room up and running, following the fire at the bank's Paris headquarters which destroyed his office and rendered its main dealing room unusable. By Tuesday, back-up premises on the fringes of Paris at Levallois-Perret were a hive of activity with dealers conducting business from 50 workstations. Another 50 were on stream by Friday morning.

Mr Poli started in 1972 as a price forecaster with the coffee company Jacques Vabre, moving to Total, the oil group, after a year. He subsequently worked for Banque Worms and then Crédit Agricole, which he left in 1994 to join Crédit Lyonnais.

A golf fan and avid science fiction reader, one of his regrets about the frenetic activity of the past week is that it has made it difficult for him to stick to his target of reading a book a day – "just to remain creative".

Plain sailing for Bo Goranson

Mr Bo Goranson, the Swedish chairman of Europe's largest debt collection agency, Intrum Justitia, appears unfazed by reports that Provident Financial, the consumer credit group, may be about to bid for the company, writes **Jane Martinson**.

Speculation has centred on the 19 per cent of Intrum's stock held by MAI, the media and financial services group which last month merged with United News & Media. But even if MAI was ready to sell – and the company will only say that it would look at an offer if one came along – any prospective buyer would have to reckon first with Mr Goranson. He owns 31 per cent of Intrum, and is not about to let go: "I have a very nice time here... I prefer to stay on," he says, firmly.

Intrum, founded by his father in 1923 and based in Amsterdam, has a London listing and operates in 15 European countries. Last year the company turned in a 13 per cent rise in pre-tax profits, to £15.6m.

The debt collection business supports an enviable lifestyle. A keen sailor who three years ago sponsored an entry in the Whitbread round the world yacht race, the 57 year old Mr Goranson spends only a quarter of his time with the company. The rest is chiefly spent horse riding and entertaining guests on his boat.

He says he is ready to fight for his inheritance. Nonetheless,potential bidders have doubtless noticed that neither of Mr Goranson's two children has any interest in the business.

Patil shakes up the Indian exchanges

For a man who might otherwise be quietly looking forward to the distinguished sunset of a public sector career in Indian finance, R.H Patil, managing director of the two-year-old National Stock Exchange, finds himself with his hands full, writes **Mark Nicholson**. "I felt I should do something entrepreneurial rather than just retire as a bank official," says the 58-year-old Patil.

Thus in 1993 he left the Industrial Development Bank of India, the country's biggest state-owned lender to industry, to set up the NSE – consciously designed by the Indian government to become shake up the country's clubby and inefficient equity markets in advance of India's opening to international portfolio investment.

And so it has proved. In just two years of trading, the NSE last month was reporting an average daily turnover of Rs9bn ($260m), three times the average of the Bombay Stock Exchange, previously the country's pre-eminent bourse. Within months the NSE aims to introduce India's first automated share depository and, before that, will introduce the country's first settlement guarantee scheme, underwriting counterparty and settlement risks.

Patil says more innovations will follow. In the next year the NSE aims to introduce India's first futures trading, develop a debt market and eventually bond futures and forex-related instruments. "We want to make it into a department store – everything under one roof," he says.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Peter Martin

The puzzle of Nordic bond yields

In the next few months, Finland has to make a difficult decision: whether to enter the European currency exchange rate mechanism, the ERM. The decision encapsulates the complexities of the outlook for Scandinavian securities in the period up to and after the scheduled date for European monetary union, January 1 1999.

The markets have become more certain that Emu will happen on time, at least for France and Germany – as shown by the move of French bond yields below those of bunds. But for the Scandinavian countries, the outlook for Emu is more uncertain and yields remain clearly above those of bunds, as the chart shows. A conference last week in Copenhagen organised by Unibank, one of Denmark's two big banks, threw some light on the issue.

There are political and economic complexities. The Nordic countries span the range of possible conditions. Norway is not a member of the EU but would qualify for Emu if it were. Denmark has been a member of the EU for years and would probably qualify for Emu but has chosen to opt out. Sweden is divided on the wisdom of joining Emu, and is unlikely to qualify to join in 1999. Finland is keen on Emu and stands a chance of qualifying – but may not make it.

The fact that Emu membership is an option for these countries is itself remarkable, and a testimony to the sea-change in the region's political economy in the past decade. They have almost all made great strides in reducing government deficits, stabilising their currencies, and acquiring monetary discipline. They have done so, in many cases, against a deeply unpromising background: high industrial cost structures, unsustainable welfare burdens, and (in the case of Finland) the collapse of the Soviet Union, once an important export market.

Officials from all the region's finance ministries and central banks now talk the language of uncompromising fiscal orthodoxy. Even Sweden promises to reduce its budget deficit from 12 per cent of GDP in 1993 to 2.7 per cent in 1997, the year in which Maastricht says it must be below 3 per cent to qualify for Emu. By 1998, Sweden claims, the budget will be in balance.

The yield spread over bunds suggests the market believes Sweden's convergence will be slower than that. Even if economic recovery produced a rapid drop in the budget deficit and the government debt criterion were interpreted loosely enough to allow Sweden to qualify for Emu in 1999, it is still not clear whether it would be among the first entrants.

This is where the political factor comes into play. The EU is not popular in Sweden. Only 20 per cent of voters favour Emu entry, while nearly 50 per cent are opposed. This colours the debate over whether Sweden should re-enter the ERM, in order to achieve the two years of membership which the Maastricht treaty requires for Emu participation.

If Sweden does not enter the ERM, it would be harder for Finland – heavily dependent on trade with its larger neighbour – to do so. Finnish officials say they are undecided as to whether to join the ERM. ERM entry is uncontroversial in Finland, where full participation in every aspect of the EU is seen as a national strategic necessity.

If Finland does decide to join the ERM, it would prefer to re-enter alongside Sweden, but officials say they will not allow this consideration to be the deciding one.

Where does all this leave the financial markets? The sharp fall in yield spreads in recent years reflects the marked improvement in inflation and government finances in the region. The Maastricht effect has already been at work, by giving governments clear benchmarks at which to aim. If there is to be a "narrow" Emu in 1999, as the markets currently seem to expect, none of the Nordic economies will be members of the first wave, and bond yields will primarily reflect individual countries' progress in economic and fiscal fundamentals.

If the markets start to become convinced of the possibility of a broader Emu, yields in those countries seen as likely entry candidates will converge more rapidly with those of Germany and France.

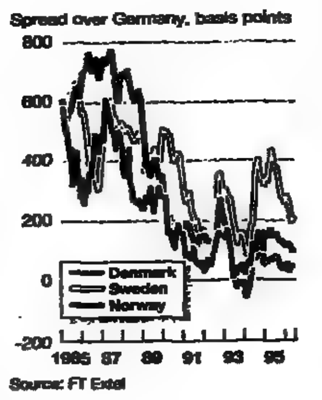
Finland's political commitment to the EU is likely to ensure that it falls into this category. Perceptions of the likelihood of entry for Sweden will involve calculations of the political appetite for further budget austerity and for Emu membership.

In the case of Denmark, political considerations are paramount, and there is no sign of a shift of popular attitudes that would make early Emu membership likely. The country's strong underlying economic situation is likely to restrict its yield spread over the core countries to a narrow range, however.

Though questions of Emu membership are likely to obsess the markets in the years ahead, this should not detract from the enormous progress the region has made in restoring fiscal discipline. There is still much to be done and some long-term threats in the form of the pension problem. But this is shared with most other European countries.

In this, as in other respects, the region has become more like the rest of Europe, with problems and successes shared with neighbours. What was once a uniquely successful region, then appeared to risk becoming an unusually troubled one, is now much closer to the European mainstream. The Nordic countries' widely different situations with respect to Emu are just one aspect of this wider trend.

10-yr benchmark bonds



Source: FT Extel

Total return in local currency to 9/5/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.07	0.07	0.17	0.12
Month	0.45	0.05	0.28	0.32	0.75	0.51
Year	6.25	1.56	4.81	6.75	10.80	7.54
Bonds 3-5 year						
Week	0.11	0.21	0.16	-0.15	0.13	0.13
Month	-0.05	-0.24	0.55	0.95	3.43	0.7
Year	5.27	3.66	9.46	12.09	19.69	9.71
Bonds 7-10 year						
Week	0.23	0.34	-0.28	-0.44	-0.12	0.25
Month	-0.76	-0.65	0.17	0.96	4.76	-0.31
Year	4.71	4.1	9.57	14.12	25.27	9.08
Equities						
Week	-0.2	-1.3	-1.2	-2.2	-1.8	-1.1
Month	0.7	-0.4	-1.9	1.0	11.0	-0.1
Year	25.7	23.5	20.5	11.3	2.2	19.8

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Link. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Compiled By AFX News

SIA held back by sharp rise in fuel prices

Singapore Airlines is today expected to report net profits for the year to March of about S$1.02bn (US$728m) up from S$917.5m a year earlier.

The rise was helped by rising passenger and cargo traffic, analysts said.

However, they said SIA's profitability was being held down by a sharp increase in aircraft fuel prices, as well as declining passenger and cargo yields due to the strong Singapore dollar and increased competition.

Mr Lawrence Lye at BZW-Pacific Union said: "We have been asking clients to take profits [on SIA foreign shares] from S$14.50 onwards."

The company recently reported that its March load factor rose 3.8 percentage points year-on-year to 71.8 per cent.

In March, SIA's traffic growth rose 18.8 per cent year-on-year while capacity rose only 12.5 per cent, reversing a previous trend.

Cargo traffic in the October-February period also grew faster, up 14.2 per cent compared with 10.4 per cent in the first half.

However, SIA's cargo yield may have slipped from 34.5 cents to 32 cents per freight tonne-kilometre. *AFX Asia, Singapore*

■ **Iberdrola:** The Spanish electricity group, is today expected to post first-quarter net profit after minorities of Pta34.4bn-Pta35.6bn ($278m), up from Pta29.7bn a year earlier.

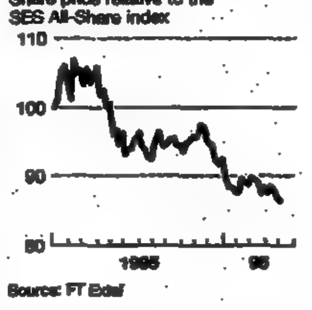
Analysts said the key to the company's performance would be the significant increase in hydroelectric production, particularly given the fact that Iberdrola has the largest quota of electricity distribution in the sector.

Mr Juan Uguet of Beta Bolsa said he expected Iberdrola to post about a 20 per cent increase in first-quarter earnings, with net profits climbing to about Pta35.6bn.

In the first quarter of 1996, hydroelectric production rose 76.7 per cent from a year earlier, Mr Uguet said, adding he expected Iberdrola to earn an additional Pta10.640bn in 1996 due to the "rain in Spain" factor.

Analysts said the the company's financial costs would continue to have fallen during the period, due to the reduction in debt levels and the effect of lower interest rates in Spain.

Singapore Airlines



Source: FT Extel

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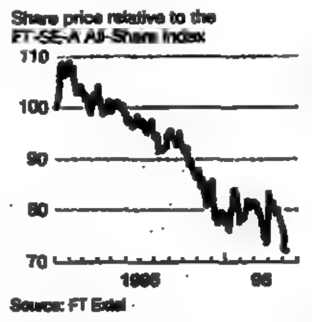


Source: FT Extel

Last month, Mr José Luis San Pedro, Iberdrola finance director, said he expected group debt to fall Pta840bn by the end of 1996 from Pta1.471bn at the end of last year. *AFX News, Madrid*

■ *Sony:* The Japanese electronics group, is on Wednesday expected to announce full-year pre-tax profits to March of Y145bn-Y147bn ($1.4bn), falling short of the company's forecast of Y155bn because of an inventory build-up in the US and Europe, analysts said.

In the year to March 1995, Sony recorded a pre-tax loss of Y220.95bn. Analysts forecast turnover at Y4,370bn-Y4,500bn, up from Y3,980bn the previous year. Sony has forecast annual sales of Y4,400bn.

"Sony could not complete its inventory adjustment by end-March as planned," said Mr Motoharu Sone at Universal Securities Research Institute. He said Sony's loss from inventory accumulation was likely to have been partly offset by the effect of the yen's decline since autumn and sales of security holdings.

Analysts also said Sony continued to benefit from firm worldwide demand for computer products, with sales from the industrial electronics division, which includes computer displays, CD-Rom players and microchips, showing strong growth. *AFX Asia, Tokyo*

■ **Aegon:** the Dutch insurance group, is expected to report on Wednesday net profit up at Fl 317m-Fl 335m ($197m) from Fl 289.2m a year earlier.

Analysts said Aegon was benefiting from the fact that the bulk of its operations were in life insurance, where trends are positive.

Aegon had further expanded its interest in Scottish Equitable, which is benefiting from similar trends in the UK, they said.

In the US, results were depressed last year by the lower dollar, but this effect should now disappear in year-on-year comparisons. *AFX News, Amsterdam*

■ Japan's three leading general chemicals producers are expected over the next few weeks to report strong profit growth for the year to March.

Rationalisation and restructuring benefits should also be reflected in the results of Mitsui Toatsu Chemicals and Mitsubishi Chemical, with earnings likely to rise to their highest level this decade.

On Wednesday, Mitsubishi Chemical is expected to post pre-tax profits of Y33bn-Y35bn ($333m) on turnover of Y1,620bn. The company, has forecast pre-tax profits of Y33bn on revenue of Y1,600bn. In the year to March 1995, it posted pre-tax profits of Y1.69bn.

■ Profits before tax of about £2.98bn ($4.5bn), up about 12 per cent from last year, are expected from British Telecommunications which announces full-year results on Thursday.

INTERNATIONAL EQUITIES By Antonia Sharpe

Attention shifts to focus on liquidity

The international primary equity market has enjoyed an unprecedentedly positive run so far this year, largely thanks to the high levels of liquidity in institutional portfolios which need to be invested and to the wide selection of issues on offer to soak it up.

But bankers are starting to worry that such favourable conditions may not last long enough to get the pre-summer pipeline of issues away. They note for example that the Asian primary equity market is becoming difficult and that banks with five or six mandates to execute in the region before the summer are unlikely to get them all done.

For now, the backdrop for European equity offerings remains positive. Attractive price-earnings multiples in European stock markets, which are below those in the US, and the low interest-rate environment are continuing to encourage US institutions to divert funds from domestic equities to European offerings.

The high levels of liquidity have also changed the way investors respond to offerings. Last year, when they had the upper hand, many, particularly in the US, delayed placing orders in the hope the price range would be revised downwards.

But this year, investors have been been quick to place their orders, often inflated for fears of being scaled back, to lower their cash positions. Such promptness to snap up shares has resulted in offerings being significantly over-subscribed.

For example, two offerings launched last week – the flotation of Mediolanum, one of Italy's leading non-bank providers and distributors of insurance and mutual fund products, and the French government's sale of its stake in Assurances Générales de France – are already believed to be over-subscribed.

Other offerings have also attracted considerable interest. In the UK, the privatisation of Railtrack, due to be priced this week, is believed to be about four times covered at a price of 390p despite some controversy surrounding the flotation.

In the case of the Finnish government's privatisation of Valmet, the paper machinery manufacturer, the offering has been helped by a strong share price, which has risen from a post-split price of FM52 to FM68.50 last week, and by the company's decision to buy back FM500m of shares.

But bankers fear current liquidity might not be enough to absorb the numerous offerings scheduled to come to market before the autumn, when the market will be dominated by the privatisation of Deutsche Telekom. In addition, recent volatility in US stock markets has raised fears that the markets in Europe are vulnerable to a correction.

"All the markets have done well so now investors are looking for value or for compelling growth stories," said one banker.

One offering which should alert investors that the primary market is probably at the peak of its current cycle is the third tranche of shares in SGL Carbon, a leading player in the global carbon and graphite market.

When the company was first floated just over a year ago, the shares were sold at DM55. Its majority shareholder, Hoechst, the German chemicals company, decided not to sell any shares at that stage because it deemed the share price to be too low.

Holding off for a few months was a wise decision because Hoechst then sold off part of its holding in the autumn at DM88.50. It is now set to sell its remaining stake of 50 per cent plus one share at close to the market price of about DM151.

No doubt SGL Carbon's share price reflects the company's strong fundamentals – some analysts have a target price of about DM180 for the shares – but investors should also take heed of Hoechst's accurate market call.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MAY 10 1996 US Dollar Index	% chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div Yield	THURSDAY MAY 9 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	208.59	9.6	203.11	138.90	165.36	172.64	1.6	4.00	209.34	203.75	138.61	165.08	174.37	212.18	152.88	173.06
Austria (25)	185.51	6.3	180.65	123.54	147.07	146.99	13.2	1.91	187.19	182.19	123.94	147.61	147.52	199.28	168.11	191.29
Belgium (27)	205.89	-1.6	200.49	137.11	163.23	159.23	4.9	4.15	206.60	201.08	136.79	162.81	158.84	215.81	186.06	198.45
Brazil (28)	162.25	17.6	157.99	108.05	128.63	296.89	20.3	2.18	163.60	159.23	108.32	129.01	299.05	170.25	123.97	146.40
Canada (99)	163.51	10.2	159.22	108.89	129.63	161.82	10.4	2.34	162.53	158.56	107.87	128.48	161.28	163.51	134.14	136.51
Denmark (30)	295.39	2.3	287.64	196.71	234.18	236.50	8.7	1.90	296.23	288.32	196.13	233.59	236.09	305.17	272.15	279.71
Finland (23)	187.10	0.0	182.19	124.59	148.32	185.33	8.7	2.70	183.08	178.17	121.20	144.35	181.54	276.11	171.73	204.51
France (97)	195.71	8.1	190.57	130.33	155.15	155.61	15.2	3.02	194.62	189.42	128.86	153.47	156.94	196.39	167.70	191.17
Germany (60)	165.02	0.8	160.69	109.89	130.83	130.83	7.4	1.90	166.26	161.82	110.08	131.10	131.10	174.38	149.49	155.00
Hong Kong (58)	416.82	7.5	405.88	277.64	330.53	414.06	7.6	3.41	416.74	405.62	275.93	328.63	413.89	451.19	348.28	348.28
Ireland (16)	279.02	9.2	271.70	185.81	221.20	250.56	11.6	3.32	278.92	271.48	184.68	219.95	249.80	279.02	220.31	225.62
Italy (59)	82.46	11.9	80.30	54.91	65.37	96.08	10.0	2.26	82.29	80.10	54.49	64.89	95.89	83.87	67.22	79.82
Japan (481)	157.21	1.5	153.09	104.69	124.64	104.69	3.6	0.73	158.90	154.66	105.21	125.30	105.21	164.68	137.75	161.35
Malaysia (107)	567.85	17.0	552.75	378.01	450.01	543.06	14.6	1.59	568.85	553.67	376.64	448.57	545.67	585.09	425.77	480.34
Mexico (18)	1249.92	20.7	1217.12	832.36	990.90	10178.05	18.7	1.39	1237.04	1204.03	819.05	975.49	10113.45	1313.61	791.99	1034.31
Netherland (19)	292.18	7.1	284.51	194.57	231.63	227.23	13.9	3.16	293.62	285.79	194.41	231.54	227.14	293.62	237.16	240.83
New Zealand (15)	82.00	3.0	79.85	54.61	65.01	68.01	-2.6	4.34	81.37	79.20	53.88	64.17	62.78	85.49	76.26	82.63
Norway (33)	245.74	6.2	239.29	163.64	194.81	218.50	10.2	2.37	244.84	238.31	162.11	193.07	216.90	255.75	215.04	227.41
Singapore (44)	429.02	5.3	417.77	285.70	340.12	277.84	4.7	1.37	430.13	418.65	284.79	339.18	278.45	465.21	355.81	379.20
South Africa (45)	357.09	-7.3	347.72	237.80	283.09	340.68	11.0	2.07	342.04	332.91	226.46	269.72	336.60	437.76	338.91	352.20
Spain (37)	175.79	6.4	171.18	117.07	139.36	169.69	11.8	3.27	174.54	169.88	115.56	137.63	168.03	179.85	141.19	151.79
Sweden (48)	345.94	10.8	336.87	230.37	274.26	347.30	13.4	2.32	342.57	333.43	226.82	270.14	344.35	352.28	250.83	257.35
Switzerland (39)	234.82	-0.5	228.66	156.37	186.16	181.10	7.6	1.61	233.71	227.47	154.74	184.30	179.23	252.34	184.11	189.97
Thailand (46)	184.18	9.6	179.35	122.65	146.02	180.44	9.7	1.81	181.51	176.66	120.18	143.13	177.77	193.95	146.74	160.99
United Kingdom (201)	232.40	0.8	226.30	154.76	184.24	226.30	2.8	4.08	231.08	224.91	153.00	182.22	224.91	237.43	208.12	210.62
USA (625)	265.97	5.8	258.99	177.12	210.85	265.97	5.9	2.21	263.10	256.08	174.20	207.47	263.10	269.11	212.45	214.67
Americas (770)	243.20	6.2	236.81	161.95	192.80	204.42	6.2	2.20	240.68	234.26	159.36	189.79	202.31	245.54	195.09	196.89
Europe (714)	207.70	3.4	202.26	138.31	164.66	183.12	7.8	3.05	207.13	201.60	137.14	163.33	182.10	211.35	181.77	187.46
Nordic (134)	296.19	7.4	288.42	197.24	234.81	260.87	11.5	2.31	293.64	285.80	194.42	231.55	258.38	297.60	241.98	248.67
Pacific Basin (832)	170.08	2.9	165.60	113.25	134.82	118.00	4.2	1.15	171.55	166.98	113.58	135.28	116.52	177.01	148.86	169.05
Euro-Pacific (1546)	185.63	3.1	180.76	123.62	147.16	141.41	5.6	2.04	186.26	181.29	123.33	146.88	141.39	190.57	166.51	176.62
North America (724)	259.50	8.0	252.78	172.87	205.80	258.32	8.0	2.21	256.86	250.01	170.07	202.55	256.20	262.26	207.93	209.83
Europe Ex. UK (513)	189.23	4.9	184.28	126.01	150.01	157.70	10.6	2.49	189.01	183.97	125.15	149.05	156.87	192.67	163.36	170.37
Pacific Ex. Japan (351)	289.94	9.8	282.33	193.08	229.86	248.74	8.7	2.97	290.15	282.41	192.11	228.80	249.43	296.68	243.59	246.42
World Ex. US (1736)	186.84	3.3	181.93	124.42	148.12	145.87	6.2	2.05	187.27	182.28	124.00	147.68	145.80	191.55	167.36	177.08
World Ex. UK (2160)	[illegible]	4.7	203.51	139.18	165.68	175.82	6.4	1.92	208.37	202.81	137.96	164.31	174.99	212.60	179.23	186.08
World Ex. Japan (1880)	241.19	5.3	234.86	160.61	191.21	228.81	6.9	2.54	239.38	233.00	158.50	188.77	227.02	242.93	201.25	204.48
The World Index (2361)	211.11	4.4	205.57	140.58	167.36	180.45	6.1	2.11	210.43	204.82	139.33	165.94	179.58	214.52	181.82	188.26

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local). Nordic: Dec 30 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local). Brazil, Thailand and Americas: Oct 31, 1994 = 169.44 (US $ Index), 164.07 (Pound Sterling) and 140.94 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 10/5/96: Deletions: BET (UK), GBL (V V P R) (Belgium), Electrabel (V V P R) (Belgium), Powerfin (V V P R) (Belgium) and Tractebel (V V P R) (Belgium). Name changes: BBC 'A' to ABB 'A', BBC 'B' to ABB 'B' (Switzerland) and Cap Gemini Sogeti to CGS (France). CONSTITUENT CHANGES WITH EFFECT 10/5/96: Addition: Berkshire Hathaway Class B (Large Cap) (USA). Name change: Berkshire Hathaway to Berkshire Hathaway Class A (USA).

MARKETS: This Week

NEW YORK By Maggie Urry

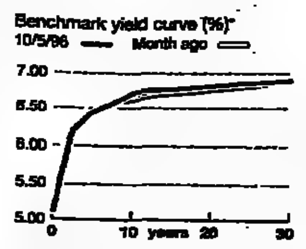
US stock and bond markets ended last week on a strong note, after some volatility. Friday's gains were largely due to the benign producer prices figure, which showed a rise in April of 0.4 per cent. The core figure, including food and energy, rose 0.1 per cent.

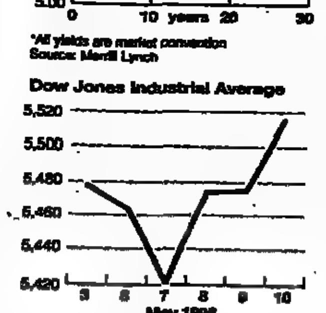
The markets took the figures to mean there was little in the way of inflationary pressures in the pipeline.

However, markets will look closely at the Consumer Price Index, due out tomorrow. According to MMS International, the consensus forecast is for a rise of 0.4 per cent in April, or 0.3 per cent excluding food and energy.

Other economic news in recent days has been pointing to a continuation of the first quarter's stronger growth rate. This is not encouraging for markets, which are concerned that faster economic growth could come up against labour market tightness and high levels of capacity utilisation, which would feed inflation and could persuade the authorities to tighten monetary policy.

This week's other economic statistics will, therefore, be scrutinised for signs of coming overheating. Retail sales figures for April, also due tomorrow, are expected to show spending in the shops is continuing to rise. The median forecast is for ex-car sales to have risen 0.3 per cent.





On Wednesday, industrial production should be seen to have bounced back in April after the General Motors stoppage in March. Estimates are for a rise of 0.5 per cent, although Salomon Brothers is expecting a rise of 0.7 per cent.

Forecasts for capacity utilisation levels in April centre on 82.7 per cent, up from 82.5 per cent in March. Housing starts for April are likely to show a rebound, says Salomon, despite the effect of higher long-term bond yields on mortgage rates.

LONDON By Philip Coggan

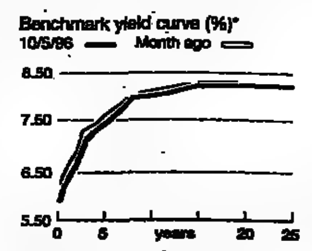
Inflation is likely to be the key issue for the markets this week, with investors absorbing the UK's retail and producer price figures, US retail price statistics, and the publication of the Bank of England's quarterly inflation report.

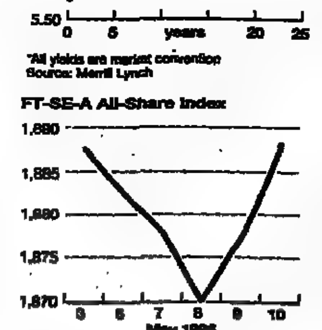
Mr John Shepperd, chief economist at Yamaichi International (Europe), thinks "the Bank's views will probably not have changed much from February's report – that the odds favour the inflation target being met but that a cautious approach to monetary policy will still be required".

Last week's US producer price figures gave some relief to those worried about inflationary pressures, but rising commodity prices may yet give international bond markets some nasty moments.

Gilt investors may also worry about home-grown signs of inflation, in particular the average earnings numbers on Wednesday – wages are a much more important component of corporate costs than commodities.

UK equities pulled themselves out of their recent slump late last week, with the help of a US rally and some stronger than expected numbers from Shell. The FT-SE 100 index appears to be stuck in a 3,650–3,850 range, with bid hopes and dividend growth providing support at





the bottom and political worries and high gilt yields putting a cap on the rise.

The market will get a clearer picture about the prospects for earnings growth in 1996 from results this week from corporate giants such as Allied Domecq, Argyll, British Gas, British Telecom, Commercial Union, Grand Met and Hanson.

There have been a few profits warnings this year but to date, none has caused any general market alarm; bad news from any of the above might do the trick.

FRANKFURT By Andrew Fisher

Uncertainty about international interest rate trends made the German stock market rather timid last week, with some analysts forecasting renewed softness after the stormy start to the year.

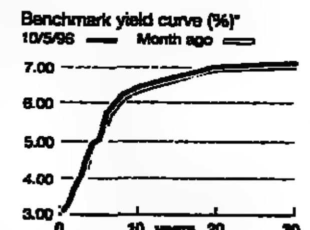
Although the weaker D-Mark has improved prospects for exporters – and thus for the sluggish economy – investors have noted talk of possible US interest rate rises.

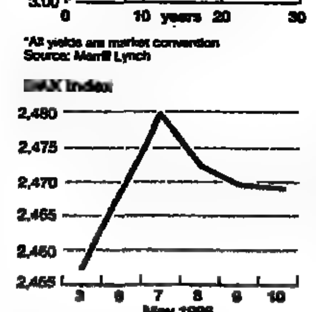
However, the April producer price data in the US heartened the market late on Friday and the DAX index just failed to move through the 2,500 mark again after hours.

Mr Thomas Holmes of Schröder Münchmeyer Hengst, the Frankfurt bank, said: "Buyers of German shares are, by all appearances, far from enthralled." Volumes have drifted lower – one newspaper said traders described Friday's business as "yawn-making" – and domestic institutions are holding back.

Mr Holmes said foreign clients were also more reserved. "Our foreign institutional clients have taken slightly more money out of the market than they have put in," he said, referring to the past two months. The market was driven more by companies' trading, profit and cost factors than basic economic forces.

Many companies havé become financially fitter by shedding labour and investing





more in lower-cost, higher-growth markets abroad, and this leaves the economy looking somewhat exposed.

The Bundesbank has helped by lowering interest rates further; the emphasis now is on the government's savings and deregulation efforts. It looks as if a further cut in the 3.30 per cent securities repurchase rate has been put on hold, though, while the Bundesbank reassess monetary policy at a time of low inflation, slack growth and high money supply growth.

TOKYO By Emiko Terazono

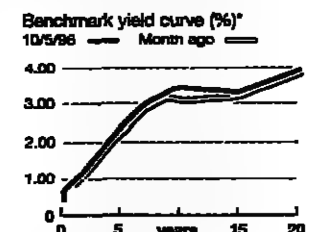
Although some concern over an imminent tightening seems to have been alleviated by the Bank of Japan's accommodative stance in the money market last week, worries about over-supply are likely to continue to weigh on investor confidence.

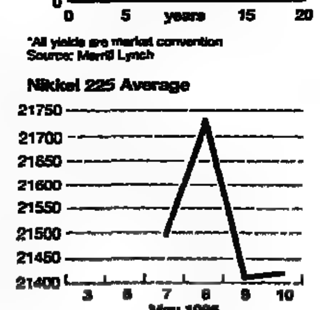
"One of the reasons the JGB market is so sluggish recently is the heavy issuance of local government bonds," says Mr Marshall Gittler, bond analyst at Merrill Lynch in Tokyo.

About Y2,600bn of municipal government bonds are expected to be issued this month. While this is not large compared with previous years, the bonds are coming at a time when interest rates are expected to rise later this year.

Banks already hold a large amount of municipal government bonds in their portfolios. According to a poll of 33 banks involved in underwriting local government bonds by *Nihon Keizai Shimbun*, the business daily, about half intend to sell the bonds quickly. Analysts expect upward pressure on long-term yields for the rest of May.

On the stock market, fluctuations on Wall Street and in the currency market are likely to affect prices. The yen's recent strength has raised concern over earnings at export-oriented companies, including electronics makers and car manufacturers.





The high-technology sector and semiconductor manufacturing equipment makers have also seen selling pressure triggered by weak figures for semiconductor demand in the US.

The recent decline in activity by overseas investors is also causing some uneasiness. The volume of stock transactions by foreign securities companies fell sharply in April, with transactions by Morgan Stanley down 3.6 per cent from March and Goldman Sachs deals down 1.4 per cent.

COMMODITIES By Richard Mooney

Precious metals in spotlight

Precious metals remains in the spotlight this week, following the publication last Friday of Gold Fields Mineral Services' latest gold market survey.

Today sees the opening of London Platinum Week, which will feature the release of Platinum '96, the latest market review from Johnson Matthey, the metal's leading marketer.

Tomorrow, the World Gold Council's economics service hosts the 6th Gold Bankers meeting in Frankfurt; and on Wednesday, GFMS releases the second edition of its World Silver Survey.

The gold and silver markets will both be featured in the London Bullion Seminar on Thursday, coinciding with the opening of Beijing's two-day '96 Gold Symposium.

On the base metals front, today sees the start of a five-day International Wrought Copper Council meeting in Athens. Delegates are likely to be keeping a weather eye on the London Metal Exchange, where a relatively bearish medium to long-term outlook for the metal has recently been overshadowed by a technical squeeze on supplies available for nearby delivery.

In Santiago tomorrow, the five-day 4th World Mining Congress for Latin America begins, and on Friday, Hong Kong is the venue for an International Zinc Association seminar entitled "Building for the Future – Zinc and Public Sector Infrastructure".

Soft commodities also feature this week. In São Paulo tomorrow, the Brazilian Coffee Industry Association and the São Paulo Coffee Industry Union concentrate on their home market at a seminar on "The Growth of Domestic Consumption of Coffee – 15m bags in the Year 2000".

On Friday, London hosts a meeting of the council of the Association of Coffee Producing Countries at which a decision is expected to be taken on a new export control scheme to replace the one that expires at the end of next month.

With grain markets remaining very volatile as assessments of weather damage to the US crop continue to ebb and flow, tomorrow's launch of wheat futures trading in Kazakhstan could prove to be extremely well-timed.

OTHER MARKETS Compiled by Michael Morgan

JOHANNESBURG

International investors will be wary of Johannesburg this week in the wake of heavy trade spurred by the National Party's decision to quit the government of national unity, *writes Mark Ashurst*.

"London is warning clients to be very careful, and several of the big firms have issued notices to stay out Johannesburg for the next two to three years," said Mr Syd Vianello, analyst at BoE NatWest Securities in Johannesburg.

But while fund managers have been battered by the 20 per cent devaluation of the rand since mid-February, the currency rallied slightly from its nadir of below R4.55 to the dollar as the ruling African National Congress shrugged off the collapse of the coalition government.

Most local analysts were confident there would be no changes in economic policy but were divided over assurances from Mr Chris Stals, the governor of the Reserve Bank, that there would be no rise in interest rates from the current 16 per cent.

Rand hedge stocks – notably in mining houses, platinum and blue chip industrials – are favourites to drive a slight upturn in the market if interest rates stay flat. The bigger volumes are likely to be futures-related.

MILAN

After last week's tepid performance by shares and the lira, the market could be in for a more positive week as Mr Romano Prodi moves towards installing his new cabinet.

UBS says trading volumes have shrunk from the heady post-election levels to around L500bn a day, although underlying sentiment remains positive and the market has a solid feel to it. Barring nasty surprises from the international markets, UBS expects the Comit index to head towards 670, from 656 on Friday, with popular ministerial choices having a positive effect.

Goldman Sachs, overweight in Italy, remains positive on the outlook, expecting the market to outperform the FT/S&P Europe index over the next 12 months. It says lower bond yields and an appreciating lira; the prospect of an upward earnings surprise in 1997; and the possibility that the incoming government lasts longer than usual are positives.

Market valuations are also better than the European average even after the 12 per cent rise in the market over the last 12 months.

ZURICH

Further details of the Adia/Ecco merger will be keenly scrutinised, although Paris-based analysts have already come to the conclusion that the terms appear better for the Swiss group than for the French company.

Ecco, the world's second biggest temporary work group in revenue terms, and Adia, the third largest, said last Wednesday that they would merge to form a rival in size to the world's top recruitment agency, the US-based Manpower.

In Zurich, Mr Frederick Hasslauer at Bank Sal Oppenheim saw the deal as a world-beating fusion. Given the good market liquidity, the probable SMI weighting and the low multiples, he reiterated a buy recommendation on the stock.

Meanwhile, little in the way of news is scheduled to take the pressure off the pharmaceuticals sector which continued to attract profit-takers last week.

HONG KONG

Today's Sino-US trade talks, together with inflation figures from the US, are likely to hold the key to this week's trade.

Sentiment was weak last week ahead of today's copyright protection talks between the US and China. The talks are followed by Wednesday's deadline for threatened US sanctions against a list of imports from China worth around $2bn.

Beijing has vowed to retaliate with even greater severity, but most investors expect to see another of the last-minute compromises typical of the two countries' trade relations.

CURRENCIES By Graham Bowley

Attention to focus on European economic forecasts

European monetary union is likely to be back at the centre of market attention this week, following signs of growing speculation last week that the single currency project might not take place on time after all.

The speculation, which was prompted by growing optimism about the strength of the German economy, lent support to the D-Mark but undermined several other European currencies.

Attention will therefore be focused on the European Commission's latest economic forecasts, due to be published tomorrow, which are expected to predict that several countries will miss the criteria for participation in Emu in 1997. This should trigger further flows into the D-Mark.

Particular attention will be paid to both the French and German budget deficits, which are likely to be forecast to be above the critical 3 per cent level.

The German government is also due to unveil this week details of its tax shortfall this year and in 1997 – which is likely to add further to gloom about Emu.

The Bundesbank council meets on Wednesday, ahead of a holiday on Thursday. Much of the D-Mark's weakness earlier this year was based on expectations that the weakness of the German economy would mean much lower German interest rates. But analysts expect the repo rate to be fixed again at an unchanged rate this week.

The dollar rallied strongly on Friday after general weakness against the D-Mark for most of last week.

The recovery was prompted by weak US producer price figures, which pushed US Treasury bonds higher. US consumer price figures are due tomorrow, but they should show slightly stronger inflationary pressures than last month.

The pound enjoyed a good week, amid calmer political events. Attention this week will be on tomorrow's Bank of England inflation report and a spate of data, including retail price inflation on Thursday and unemployment figures on Wednesday.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Adia (Switzerland)	Ecco (France)	Business services	$3.7bn	Agreed merger
Avon Energy (US)	Midlands Electricity (UK)	Power	$2.6bn	Sector activity renewed
Mobil (US)	Ampolex (Australia)	Oil & gas	$1.2bn	Formally rejected
Great Lakes Chemical (US)	Nowsco (Canada)	Oilfield services	$600m	Beats earlier bid
Vodafone (UK)	SFR (France)	Mobile telecoms	$450m	Lifts stake to 16.5%
BASF (Germany)	Zeneca Textile Colours (UK)	Dyes	$225m	Zeneca completes disposals
Varity Corp (US)	Lucas Industries (UK)	Electrical equipment	n/a	Preliminary talks on

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 10, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7232.35	4750.00	3114.98	[illegible]
Albania	(Lek)	151.194	99.3000	65.1190	94.2572
Algeria	(Dinar)	83.4538	54.8100	35.9433	52.0266
Andorra	(French Fr)	7.8658	5.1667	3.3882	4.9043
	(Sp Peseta)	193.998	127.415	83.5563	120.945
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	370.284	243.200	159.486	230.650
Greenland	(Danish Krone)	8.9825	5.8995	3.8603	[illegible]
Grenada	(E Carib $)	4.1110	2.7000	1.7706	2.5629
Guadeloupe	(Local Fr)	7.8666	5.1667	3.3882	4.9043
Guam	(US $)	1.5226	1	0.6558	0.9492
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Oman	(Rial Omani)	0.5862	0.3850	0.2525	0.3654
Pakistan	(Pak. Rupee)	52.8558	34.7165	22.7656	32.9523
Panama	(Balboa)	1.5226	1	0.6558	0.9492
Papua New Guinea	(Kina)	1.9710	1.2945	0.8489	1.2288
Paraguay	(Guarani)	3090.85	2030.00	1331.23	1926.91
[illegible]					

[illegible]

LEGAL NOTICES

CASE GROUP LIMITED (IN MEMBERS' VOLUNTARY LIQUIDATION)

TAKE NOTICE THAT on 16th November 1992 Stephen Robert Edward Hancock of Price Waterhouse, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT was appointed as liquidator of Case Group Limited ("Case").

In 1988 Dowty Group plc ("Dowty") made a takeover offer for Case (the "Offer"). Under the Offer Case shareholder were entitled to 59 new Dowty ordinary shares and 133 Dowty 7% preference shares for every 200 Case shares. This was subject to a partial cash alternative which lapsed on 7th September, 1988.

In 1992 TI Group plc ("TI") made a takeover offer for Dowty. As a result, for every 15 Dowty ordinary shares Case shareholders become entitled to 8 new TI ordinary shares and for every 400 Dowty 7% preference shares Case shareholders became entitled to 90 new TI ordinary shares and £105.25 in cash. There was a further cash alternative in respect of the ordinary and preference shares in Dowty but that option was not exercised by Case shareholders and has now lapsed.

On 27th February, 1996 the liquidator of Case applied to the High Court of Justice under Section 430 of the Companies Act 1985 to pay into court the TI shares and cash which Case has been holding on trust of those of its shareholders who did not accept or respond to the Offer. On 5th March, 1996 the Court gave directions for lodgment. In accordance with the Court's directions the liquidator has lodged at Court the TI shares and cash which Case has been holding on trust for those of its shareholders that did not accept or respond to the Offer.

If you are one of the Case shareholders who did not accept or respond to the Offer you are hereby notified that you may apply to the High Court of Justice to claim your entitlement.

S.R.E. Hancock
Liquidator of Case Group Limited (In Members' Voluntary Liquidation)
13th May 1996

No002397 of 1996

In the High Court of Justice
Chancery Division
Companies Court

IN THE MATTER OF ESTATES & GENERAL PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 29th day of April 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share capital of the above named Company by £27,502,870.60.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Companies Court at the Royal Court of Justice, Strand, London WC2A 2LL on Wednesday, 22nd May 1996.

ANY CREDITOR or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 13th day of May 1996
ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA
Tel: 0171 638 1111
Fax: 0171 972 7990
Ref: SAW/149050
Solicitors for the said Company

MARKETS: This Week

EMERGING MARKETS By Virginia Marsh

Getting the message on Budapest

Last week saw the culmination of a spectacular five-month run on the Budapest Stock Exchange, with the BUX index reaching its fifth successive all-time high on Thursday before a minor correction on Friday, when it closed 27 points lower at 2,903.

Nevertheless, the BUX has almost doubled since the beginning of the year, making Budapest one of the world's best performing markets this year after a disappointing 1995, which saw a modest, 4 per cent gain. In dollar terms, the market has risen by more than 70 per cent so far in 1996 compared with a decline of around 15 per cent last year.

Equity analysts say Budapest – which last year fell sharply after the Mexican financial crisis – has benefited from a global upturn in interest in emerging markets and that the exchange has also been buoyed by Hungary's improved macroeconomic performance.

The BSE is dominated by foreign investors, who in the past have been highly sensitive to political risk and changes in economic policy. Selling by foreign investors, who account for around three-quarters of the equity market, drove the BUX down to last year's low of 1,172 on February 8, at a time when the Socialist-led government's commitment to reform appeared to waver.

"The recent IMF agreement; Hungary's membership of the OECD; the convertibility of the currency from January; the success of last year's energy privatisations and a better set of macroeconomic indicators; have together greatly increased investor confidence," said Mr Peter Liszkay, equity analyst at Daiwa-MKB in Budapest, and have been the single most important factor for the market this year.

Mr Liszkay said rising prices have been backed by good fundamentals at listed companies, which generally turned in solid performances in 1995 and which are also reporting strong first-quarter results this year.

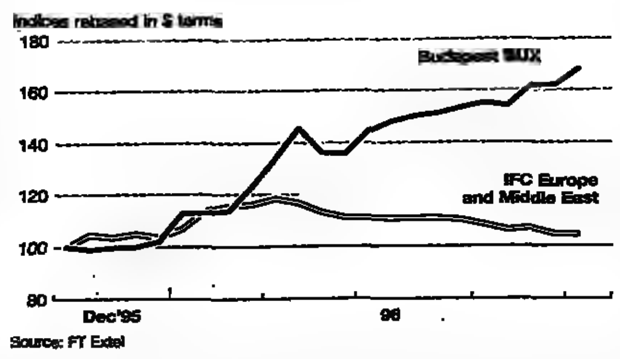
"People finally got the message that we and others had been telling them for some time – that many stocks, before the recent rises, were very cheap," said Ms Frances Cloud, central European equity analyst at Nomura Research in London. "Budapest has subsequently gone up more than one would have expected, although this is partly because, earlier in the year at least, there were very few sellers."

She said this was because much Hungarian stock is held by dedicated funds, which often make investments for two or three years. However, like other analysts she expects further corrections in the market, partly due to profit-taking.

Nevertheless, Mr Zsolt Katona, senior equity trader at ING in Budapest, said he expects the market to rise by a further 10 to 15 per cent in dollar terms this year.

He said that orders have been coming in from clients new to the market, especially from the US, and added that investors have been switching funds to Budapest and Warsaw from Prague.

Hungary



Source: FT Extel

Although the BSE is older than its counterparts in Warsaw and Prague, it remains tiny by international standards and turnover and liquidity are relatively low, with most interest focused on a handful of stocks.

The exchange has 41 stocks and a total capitalisation of around Ft510bn ($3.45bn), up from Ft328bn at the end of 1995 and from Ft182bn in 1994. Turnover in the first quarter averaged Ft1.47bn a day, compared with Ft351m last year.

The government has sought to boost the local capital markets by selling stakes in large state companies to financial investors and listing them on the BSE. Previously, most Hungarian privatisation involved selling companies to strategic partners.

This strategy has paid off and newly privatised companies such as Richter Gedeon and Egis, Hungary's two biggest pharmaceuticals producers which together make up around 30 per cent of the BUX index, have been among the BSE's star performers this year. Richter closed at Ft6,100 on Friday, up from Ft2,640 at the end of last year, while Egis finished at Ft7,300, up from Ft3,035 at end-1995.

APV, the privatisation agency, recently mandated CS First Boston to bring TVK, a large chemical company, to the market in an offering expected to raise around $150m – the biggest so far this year. Brokers also expect a secondary offering of Mol, the state oil and gas company and the BSE's largest stock, in the second half.

In addition, Cofinec, a regional packaging group set up by Mr Carlo De Benedetti, the Italian industrialist, is planning a $75m–$100m IPO and is expected to become the first non-Hungarian company to list on the BSE.

However, these are among the few large offerings known to be under preparation and there is frustration at the market's lack of products.

"The recent privatisations and listings have attracted strong interest," says Ms Cloud. "But there are still only six or seven companies with a capitalisation of $100m or more, which is the lower limit for some fund managers."

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	26/4/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (395)	162.39	+0.08	+0.05	+5.16	+3.29	14.80	+10.05
Latin America							
Argentina (22)	99.45	-0.35	-0.35	+8.69	+9.58	+6.67	+7.19
Brazil (23)	218.98	+7.47	+3.53	+15.58	+7.66	+32.88	+17.67
Chile (16)	194.16	+6.54	+3.49	+23.11	+13.51	-1.50	-0.77
Colombia (14)	178.28	-3.52	-1.93	+19.86	+12.56	+14.04	+8.55
Mexico (23)	84.14	+0.04	+0.05	+3.12	+3.65	+10.54	+14.32
Peru(14)	1,012.53	-96.86	-8.73	-9.56	-0.93	-66.43	-6.26
Latin America (112)	136.33	+1.40	+1.03	+8.05	+7.11	+13.19	+10.71
Europe							
Greece (18)	106.66	+1.74	+1.65	-0.77	-0.72	+8.01	+8.20
Portugal (20)	124.35	-0.21	-0.17	-3.08	-2.42	+7.89	+6.78
Turkey (26)	113.74	-1.13	-0.99	-14.76	-11.48	+30.94	+37.37
South Africa (32)	145.50	-2.17	-1.47	-1.06	-0.73	-7.68	-5.14
Europe (96)	122.26	-0.81	-0.66	-1.63	-1.32	+0.73	+0.60
Asia							
China (24)	43.21	-1.41	-3.17	-1.96	-4.33	+2.88	+7.15
Indonesia (32)	152.43	+1.30	+0.86	+1.25	+0.83	+13.79	+9.95
Korea (23)	138.17	-4.93	-3.42	+6.57	+4.98	+2.27	+1.65
Malaysia (24)	261.56	-2.14	-0.81	+3.45	+1.34	+34.18	+15.03
Pakistan (14)	96.25	+8.40	+9.56	+18.60	+23.96	+22.66	+30.79
Philippines (14)	321.30	+14.08	+4.58	+17.03	+5.60	+62.13	+23.97
Thailand (26)	260.87	+0.44	+0.17	-4.84	-1.75	+8.99	+3.57
Taiwan (31)	166.47	-2.41	-1.43	+8.15	+5.14	+35.66	+27.25
Asia (187)	231.67	-1.12	-0.48	+4.97	+2.19	+28.62	+14.10

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

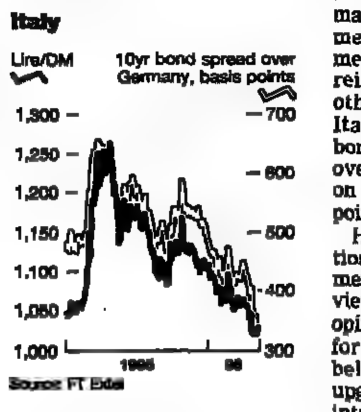
INTERNATIONAL BONDS By Conner Middelmann

Rating agency views converge on outlook for Italy

If the world's two leading rating agencies were asked to compare Italy with a glass of Chianti wine, Moody's would probably say it's half full while Standard & Poor's would call it half empty. And both would have a point.

For while many factors – the clearer political picture following recent elections; falling inflation; slowing growth; and a strengthened currency poised to re-enter the European exchange-rate mechanism – are supportive factors, its fiscal outlook continues to cast a shadow over Italy's improving fundamentals.

Italy



Source: FT Extel

This prompted S&P to confirm last week that it is keeping Italy's AA foreign debt rating on negative outlook, where it was placed in February 1995. In a teleconference last Thursday, S&P highlighted uncertainty over the speed of Italy's fiscal progress, and said the April 21 election results have done little to change this.

"While the electoral platform of the incoming centre-left is committed to fiscal change, it still remains to be seen to what extent it can obtain parliamentary support on an issue-by-issue basis to bring this about," said Mr Guido Cipriani, S&P's senior analyst for Italy. "We don't believe the election results in and of themselves leave us with any greater degree of certainty about the prospects for achieving a fiscal adjustment over the medium term," he said, describing public finance as the "Achilles heel" of Italy's credit rating.

This statement appeared to contrast with Moody's announcement a week earlier that it was placing its rating for Italy on review for possible upgrade after the elections.

Moody's move triggered a rally in Italian government bonds which led to a reduction in their yield spreads over German bunds, while S&P's statements saw a partial retracement of the market's gains – reinforced by weakness in other high-yielding markets. Italy's 10-year government bond yielded 346 basis points over its German counterpart on Friday, compared with 336 points a week earlier.

However, on closer examination, the two agencies' statements mark a convergence of views rather than contrasting opinions, since Moody's rating for Italy stands two notches below S&P's at A1 and an upgrade would merely bring it into line with S&P.

"They're both focusing on the same problems – only they are coming from different starting points," said Mr José Luisa Alzola, an economist who covers southern Europe at Salomon Brothers.

Nevertheless, the debate highlights the risks and opportunities of investing in Italian bonds. "This is not to say the bullish story is over, but people have become more realistic," said Mr Luca Jellinek, bond strategist at Paribas Capital Markets.

Many observers are cautious as to Italy's ability to continue outperforming Europe's core markets, and bond traders are focusing on the fiscal measures – spending cuts or tax hikes – needed to meet an expected budget overshoot of at least L9,600bn this year.

While this hole could be plugged by a supplementary "mini-budget", the 1996 deficit may overshoot regardless, due to overly optimistic growth forecasts underlying its L109,400bn target, with many talking of a shortfall in the region of L20,000bn.

"They will probably cobble together a mini-budget cutting L10,000bn off the deficit for this year, which could support the market in the near term," said Mr Ken Wattret, international economist at HSBC Markets.

He added that Italy's 10-year spread over Germany could get as narrow as 300 basis points by the end of the second quarter, assuming the currency environment remains supportive and the central bank cuts interest rates amid continued falls in inflation.

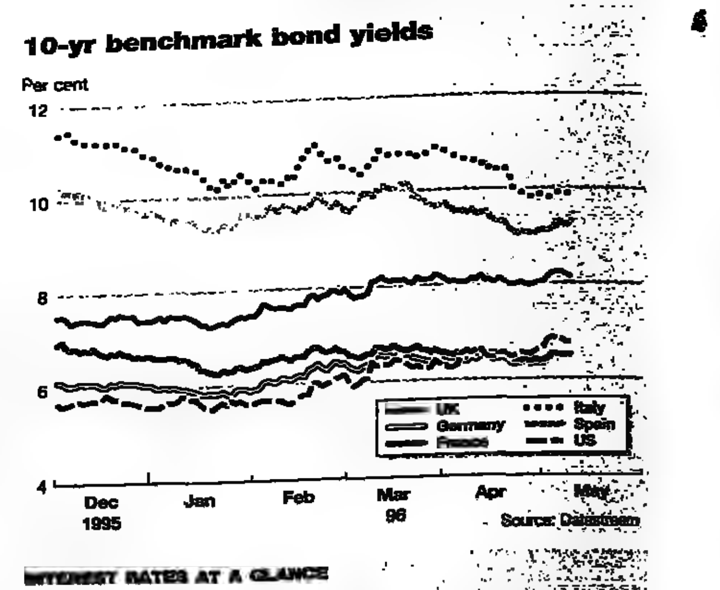
However, tough budgetary measures could cause parliamentary tension and expose differences of opinion between the ruling Olive Tree coalition and the hard-left Communists, on whose support it will depend to pass key legislation.

"Things will become more volatile – the government is highly unlikely to fall, but may face periodic difficulties in forcing its legislation through parliament," said Mr Wattret, and the yield spread could widen in the third quarter to as much as 380 basis points before ending the year at around 360 basis points.

Others are more optimistic. "We remain fundamentally positive on Italy," said Mr Keith Patton, fixed-income portfolio manager at Flemings Investment Management. "The encouraging inflation outlook and potential for fiscal austerity should allow the Bank of Italy to cut rates soon."

This could set in motion a virtuous cycle, as "lower interest rates would help reduce the budget deficit, since much of the expected overshoot this year is due to the interest burden of servicing the government's debt", he said, which in turn would boost sentiment, sending yields even lower.

10-yr benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	4.90[1]	9.00	6.00
Overnight	5.19	0.44	3.25	3.75	9.18	5.94
Three month	5.12	0.50	3.18	3.78	8.84	6.06
One year	5.59	0.93	3.26	3.98	8.59	6.50
Five year	6.46	2.42	5.05	5.55	9.26	7.58
Ten year	6.74	3.37	6.45	6.46	9.92	8.03

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Unilever(j)	250	May 2001	6.625	99.593R	6.738	+8(6¼%-01)	ABN Amro/Goldman
Kingdom of Sweden(a)	250	Dec 1998	6.25	99.89R	6.335	+10(5⅞%-98)	Daiwa Europe
General Mtrs Acceptance Corp	200	Jun 1998	6.50	100.09R	6.461	+23(5⅞%-98)	Paribas Capital Markets
Xerox Credit Corp	180	Jun 1999	6.50	99.748R	6.595	+12(WI 3yr)	Citibank International
Spintab‡	150	May 1998	(b)	99.945	-	-	HSBC/PaineWebber Intl
Bayerische Vereinsbank	500	May 2001	6.875	99.745R	6.937	+22(6¼%-01)	JP Morgan/Paribas
Federal Home Loan Mtg Crp(f)	800	May 1999	6.80§	100.00R	6.800	+39(WI 3yr)	Goldman Sachs Intl
Banque Internationale à Lux	100	Jun 1997	4.875	99.018R	5.815	+12(T-bill)	NatWest Capital Mkts
Sumitok International(c)♦	86.75	May 1999	2.50	100.00	-	-	Sumitomo Finance Intl
AECAMT 1996-1, Class A(n,l)	665	May 2001	6.80	99-28+R	7.044	+38(6¼%-01)	Merrill Lynch Intl
Philip Electronics	250	Jun 2001	7.00	99.276R	7.177	+53(6¼%-01)	HSBC Markets
Den Danske Bank(o)‡	200	Jun 2006	(o1)	99.868R	-	-	Salomon Brothers Intl
CNCP Intl Finance(p)‡	150	May 2001	(p1)	99.87R	-	-	JP Morgan Securities
AC International Finance	110	Nov 2001	8.125#	99.417R	8.250	+173(6¼%-01)	JP Morgan Securities
Lebanese Republic(q,s)	100	Jul 2000	9.125	99.82R	9.60	+295(6⅛%-00)	Paribas Capital Markets
UBS Finance(r,s)	100	Dec 1999	8.00	98.80R	6.400	-1(5%-99)	UBS
Business Dev Bank of Canada	100	May 1999	6.375	99.783R	6.457	+3(6⅛%-99)	M Stanley/Tokyo-M
Banco Bozano(t)	75	May 2004	10⅛#	99.93R	10.30	+395(6⅛%-99)	BZW
Crédit Local de France	300	Jun 2001	6.875	99.91R	6.897	+20(6¼%-01)	DKB Intl/Merrill Lynch
DePfa Bank(s)	150	Dec 1999	6.375	99.175R	6.625	+16(6⅛%-99)	Dresdner Bank-KB
GD CBO/GD Corp(y)‡	131	May 2008	(y1)	99.712	-	-	MSI/M Stanley & Co
Pacific Electric W&C(z)§	100	2006	(1½-2)	100.00	-	-	Bankers Trust Intl
Banco Boavista	50	May 1998	11.25#	99.479R	11.46	+515(6⅛-99)	West Merchant Bank
D-MARKS							
SBC Jersey(c,s)	150	Dec 1999	4.75	101.45	-	-	SBC Warburg
CBA	300	Jun 2001	5.375	99.658R	5.455	+32(5⅛%-00)	Bqe Paribas (Deutsch)
SBZ Bank Ireland‡	300	Jun 2001	(e)	99.535	-	-	HSBC Trinkaus/Merrill
YEN							
Nippon Steel Corp(h)♦	20bn	May 2000	2.50	100.30	2.447	-	Norinchukin Intl
LW Rentenbank(w,s)★	10bn	Mar 2008	3.55	96.485	-	-	Nomura International
SWISS FRANCS							
PepsiCo(s)	125	Dec 2001	4.00	102.50	-	-	Merrill Lynch/NBS
Mita Industrial★	80	May 2001	4.25	100.80	4.070	-	Sakura Bank(Schweiz)
Europäische Hypothekenbank	100	Jun 2001	4.00	103.375	3.258	-	Deutsche Morgan G'fell
State Bank of NSW★	100	Jun 2000	4.00	103.50	3.057	-	BJ(Switz)/Merrill
STERLING							
Vodafone Group(s)	250	Nov 2001	7.875	98.311R	8.290	+42(7%-01)	UBS
Compagnie Bancaire‡	150	Mar 2001	(u)	99.80R	-	-	HSBC Markets
GECC(s)	125	Dec 1999	7.375	99.82R	7.45	+7(6%-99)	SBC Warburg
World Bank(s)	200	Dec 1998	7.00	100.108R	6.977	+17(7¼%-98)	BZW
ITALIAN LIRE							
KfW International Finance	300bn	Jun 2001	8.75	101.545	8.359	-	IMI Lux/Paribas
Crédit Local de France	200bn	Jun 2001	9.00	101.776	8.549	-	Credito Italiano
World Bank(k)	250bn	Jun 2006	zero	40.65	-	-	Citibank/Credito
ECU							
Finance for Danish Industry	55	Jun 2002	(d)	101.54	6.19	-	Kredietbank Intl Group
FRENCH FRANCS							
Cie Financière de Paribas	4bn	Jun 2001	6.00	100.00R	6.000	+40(f)	Banque Paribas
Credit National(x)§	900	undated	(x1)	(x2)	-	-	Morgan Stanley & Co
LUXEMBOURG FRANCS							
SNCF(s)	2.6bn	Dec 2001	5.625	102.40	5.12	-	BGL
Eurofima	2bn	Jun 2006	6.50	102.20	6.198	-	BIL/Banque Paribas Lux
European Investment Bank(s)	2bn	Dec 2004	6.375	102.40	6.013	-	BIL/Crédit Européen
AUSTRALIAN DOLLARS							
State Bank of New Sth Wales	125	Jun 2001	8.75	101.40	8.396	-	Deutsche Morgan G'fell
Rabobank Australia	100	Jun 1999	8.25	100.88	7.909	-	Hambros Bank
World Bank(l)★	250	Jun 1998	7.65#	99.72	7.756	-	Yamaichi Intl(Europe)
Toronto Dominion, London	100	May 1998	8.125	100.785	7.687	-	Toronto Dominion Bank
PESETAS							
Helaba Finance	10bn	Jun 2001	8.30	101.177	8.006	-	BCH/SBC Warburg
LW Rentenbank(v)	10bn	Jun 2006	(v1)	101.121	-	-	BNA/BNP España
Kommuninvest	10bn	Jun 2001	8.65	101.269	8.329	-	BSN/NatWest/Hiko
CANADIAN DOLLARS							
Abbey Natl Trsy Services(s)	100	Dec 1999	7.00	99.975R	7.03	+7(7¾%-99)	CIBC Wood Gundy
Province of Manitoba(s)	150	Sep 1999	7.00	100.00R	7.02	+10(7¾%-99)	CIBC Wood Gundy
Bayerische Vereinsbank(s)	100	Dec 2001	7.25	99.30R	7.423	+11(7½%-01)	Hambros Bank
DANISH KRONER							
Le Sires, Series 14(a)‡★	290	Feb 1999	(a1,a)	100.00	-	-	Merrill/Nykredit Bank
ESCUDOS							
Polo Securities(m)‡	20bn	Jun 2002	(m1)	100.00	-	-	Bco Efisa/Bkrs Trust
NEW ZEALAND DOLLARS							
World Bank	100	Jun 1999	8.75	101.13	8.309	-	CBA
BELGIAN FRANCS							
B-Cars, Class A(a)‡	14.3bn	May 1999	(a1)	99.998R	-	-	BBL/Goldman Sachs

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ♦With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Legal maturity: May 01. 10% cleanup call. Expected average life: 1.4 yrs. a1) 3-mth Libor +10bp. a2) Class M, BFr713m, 3-mth Libor +37½bp, 99.964R, average life 1.5 yrs. b) 3-mth Libor flat. c) Fungible with DM250m. Plus 47 days accrued. d) 5¼% to 17/5/99 and 8% thereafter. e) Repackaged Italian Government fixed rate Ecu bonds (CTEs). e1) 3-mth Libor +18bp. f) Callable from 14/5/97 at par. g) Denoms $10,000 +2 wrts to Sumitomo Special Metals Co. Ex price: Y1 784. FX: 104.86Y/$. h) Short 1st & 2nd coupons. i) Over interpolated yield. j) 3-mth Libor +6¼bp. k) L500bn launched 5/3/96 was increased to L750bn. Callable on 19/6/01 at 63.0176%. l) Long 1st coupon. m) Fungible with Es20bn. Amortises 50% on 11/12/01. m1) 6-mth Libor +12½bp. n) American Express Credit Account Master Trust. Legal Maturity: 15/12/03. Monthly coupons. n1) Class B: $60m, 15/5/01. 6.95%, 99-27+R, T's+52bp. o) Callable from Jun 2003 at par. o1) 6-mth Libor +37½bp to Jun 2003, then +197½bp. p) Callable from May 1999 at par. p1) 3-mth Libor +20bp. q) Fungible with $300m. No accrued. r) $200m launched 29/4/96 increased to $300m. s) Short 1st coupon. t) Callable & puttable on 23/5/99 at 99½% & 01 at 99¼%. u) 3 mth Libor flat. v) Callable on 10/6/99 at par. v1) 9% to 10/6/99, then 9¼%. w) Coupons paid in Aus$. x) Convertible on 1:1 basis to 1/1/03. Callable from 31/12/02 subject to 115% hurdle. Greenshoe: FFr150m. Amount includes shareholder priority subscription. x1) 5⅝% to 1/1/03, then Pibor +2½%. x2) FFr435. y) Global Diversified CBO/Global Diversified Corp. Callable from May 1999 at par. Expected average life 7 yrs. y1) 6-mth Libor +65bp. z) Exchangeable into ord shares of Mosel Vitelic, Taiwan. Priced later: 10-15% indicated premium. Greenshoe: $20m. Callable after 3 yrs subject to 140% hurdle. Puttable in 5 yrs to yield T's +100-150bp. Note: Yields are calculated on ISMA basis.

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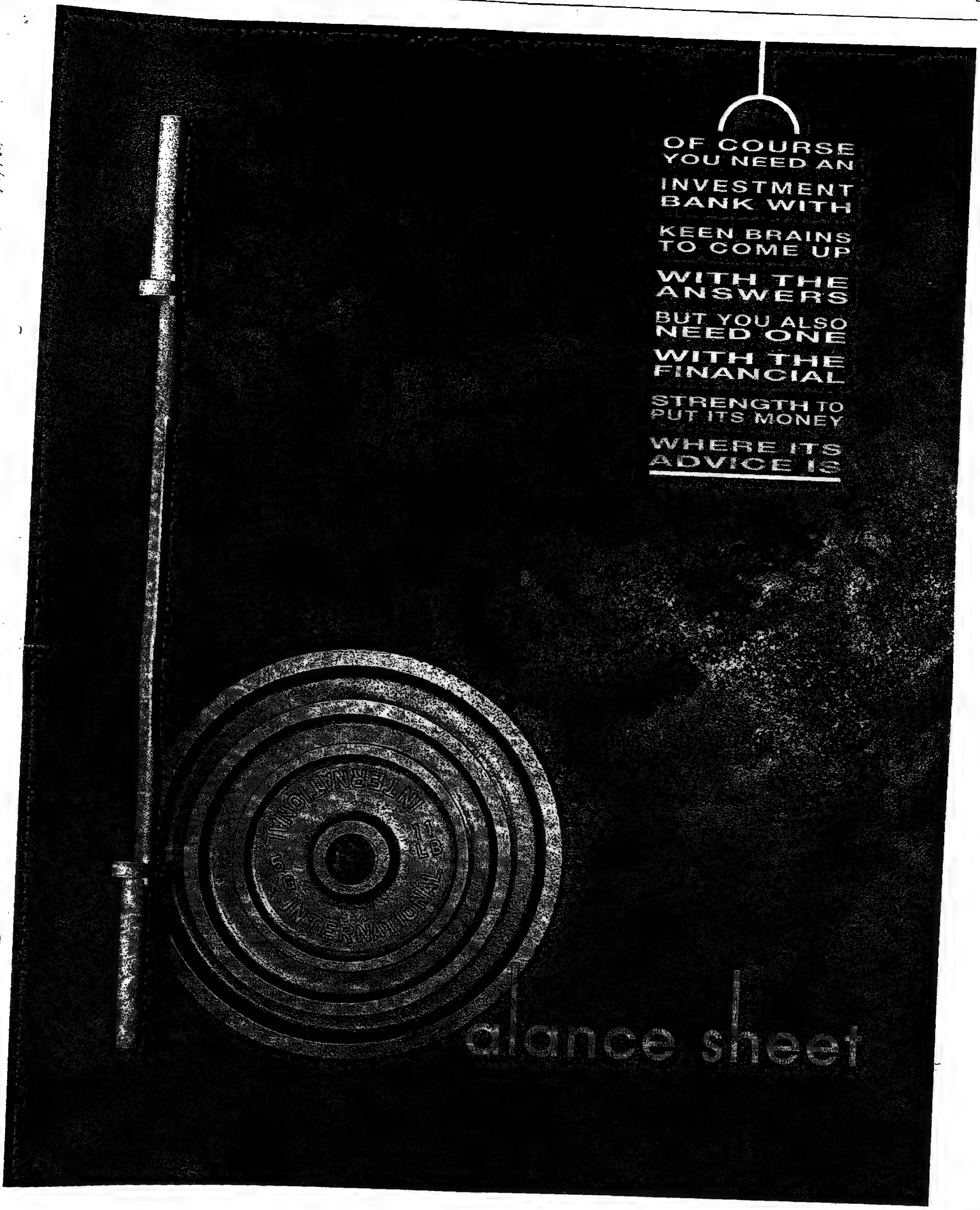

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 10 / Sch)

BELGIUM/LUXEMBOURG (May 10 / Frs.)

CZECH REP (May 10 / Koruna)

DENMARK (May 10 / Kr)

FINLAND (May 10 / Mkk)

FRANCE (May 10 / Frs.)

GERMANY (May 10 / Dm.)

GREECE (May 10 / Drachma)

ITALY (May 10 / Lira)

NETHERLANDS (May 10 / Fls.)

NORWAY (May 10 / Kroner)

POLAND (May 10 / Zloty)

PORTUGAL (May 10 / Escudo)

SPAIN (May 10 / Pta.)

SWEDEN (May 10 / Kronor)

SWITZERLAND (May 10 / Frs.)

TURKEY (May 10 / TL Lira)

PACIFIC

JAPAN (May 10 / Yen)

AUSTRALIA (May 10 / Aus$)

HONG KONG (May 10 / H.K.$)

INDONESIA (May 10 / Rupiah)

MALAYSIA (May 10 / MYR)

NEW ZEALAND (May 10 / NZ $)

SINGAPORE (May 10 / S$)

SOUTH KOREA (May 10 / Won)

TAIWAN (May 10 / TW $)

THAILAND (May 10 / Baht)

NORTH AMERICA

CANADA

TORONTO (May 10 / Can $)
4 pm close

MONTREAL (May 10 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (May 10 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ■ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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INDICES

	May 10	May 9	May 8	1996 High		1996 Low	
Argentina							
General(29/12/77)	17768.02	17598.71	17888.54	18181.86	31/1	16029.61	19/3
Australia							
All Ordinaries(1/1/80)	2297.4	2280.3	2298.5	2326.00	26/4	2187.40	11/3
All Mining(1/1/80)	1090.7	1103.9	1118.4	1118.40	8/5	1004.70	16/1
Austria							
Credit Aktien(30/12/84)	379.31	381.01	382.83	387.24	25/4	352.78	2/1
Traded Index(2/1/91)	1100.47	1106.05	1110.99	1131.21	26/4	1025.27	2/1
Belgium							
BEL20(1/1/91)	1706.18	1694.25	1701.59	1708.75	7/3	1574.80	2/1
Brazil							
Bovespa(29/12/83)	53455.0	53865.0	53605.0	54400.00	2/2	40801.80	2/1
Canada							
Metals Minls♦(1975)	5586.94	5598.54†	5624.80	5624.80	8/5	4667.47	16/1
Composite♦(1975)	5176.80	5161.17†	5160.81	5176.81	10/5	4708.78	15/1
Portfolio§§(4/1/83)	2520.33	2505.49†	2503.41	2520.33	10/5	2327.39	12/1
Chile							
IPSA Gen♦(31/12/80)	5587.88	5602.88	5569.18	5604.33	8/1	5215.38	8/4
Denmark							
CopenhagenSE(3/1/83)	400.02	399.30	400.83	408.83	8/5	368.40	2/1
Finland							
HEX General(28/12/90)	1940.74	1911.04	1936.23	1998.86	6/5	1651.67	10/1
France							
SBF 250(31/12/90)	1436.52	1424.35	(c)	1463.88	30/4	1250.16	2/1
CAC 40(31/12/87)	2114.80	2085.41	(c)	2149.78	30/4	1897.88	11/1
Germany							
FAZ Aktien(31/12/58)	873.00	875.36	878.65	902.33	23/4	818.58	2/1
Commerzbank(1/12/53)	2513.2	2520.4	2528.9	2601.90	23/4	2370.20	2/1
DAX‡(30/12/87)	2468.78	2469.38	2472.64	2558.18	23/4	2284.86	2/1
Greece							
Athens SE(31/12/80)	924.90	923.18	919.51	1017.89	4/3	981.63	29/4
Hong Kong							
Hang Seng(31/7/64)	10697.73	10573.00	10617.32	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3894.39	3884.30	3767.25	3898.87	26/4	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	619.26	620.27	615.52	630.21	30/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2526.97	2514.75	2512.33	2536.09	1/5	2234.61	2/1
Italy							
Banca Comm Ital(1972)	656.86	654.17	653.91	688.01	2/5	572.21	23/3
MIB General(2/1/96)	1114.0	1109.9	1109.0	1129.00	2/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21420.12	21411.88	21726.60	22282.05	24/4	19734.70	13/3
Nikkei 300(1/10/82)	305.91	307.761	310.85	318.06	26/4	284.48	11/3

	May 10	May 9	May 8	1996 High		1996 Low	
Japan							
Topix(4/1/68)	1637.94	1664.76	1681.12	1718.09	26/4	1524.42	13/3
2nd Section(4/1/68)	2232.52	2222.13	2252.32	2243.28	2/5	1982.28	14/2
Malaysia							
KLSE Comp.(4/4/86)	1160.06	1162.14	1151.79	1188.54	30/4	982.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3181.07	3194.42	3284.49	15/4	2729.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	621.6	619.3	610.3	621.60	10/5	539.50	2/1
CBS All ShrEnd 83	372.0	371.3	366.0	372.00	10/5	325.70	2/1
New Zealand							
Cap. 40(1/7/86)	2111.49	2107.72	2107.13	2203.86	4/1	2044.71	26/1
Norway							
Oslo SE(Ind)(2/1/83)	1414.11	1406.02	1402.22	1444.72	25/4	1258.88	30/1
Philippines							
Manila Comp(2/1/85)	3111.43	3129.08	3066.05	3129.08	9/5	2626.87	2/1
Portugal							
BVL 30(4/1/93)	1243.24	1842.83†	1842.70	1851.40	7/5	1692.81	2/1
Singapore							
SES All-S'pore(2/4/75)	581.05	584.87	574.45	610.37	5/2	553.40	2/1
South Africa							
JSE Gold(28/9/78)	2001.2♥	2011.2	2007.7	2311.20	3/5	1745.40	2/1
JSE Ind.(28/9/78)	7821.1♥	7755.6	7738.6	8738.30	25/1	7755.60	9/5
South Korea							
KoreaCmpEx(4/1/80)	965.53	959.14	975.75	986.84	7/5	838.87	13/3
Spain							
Madrid SE(30/12/85)	336.14	352.81	351.95	361.78	26/4	323.25	11/1
Sweden							
AffarsvaldsGen(1/2/37)	1958.3	1945.2	1947.1	1988.80	8/5	1785.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1714.52	1699.1	1707.14	1779.54	26/4	1598.18	17/1
SBC General(1/4/87)	1213.52	1208.58	1213.28	1259.80	26/4	1114.47	26/1
Taiwan							
Weighted Pr(30/6/66)	6035.21	5965.02	6019.87	6082.70	29/4	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1322.52	1307.47	1310.00	1415.86	6/2	1267.39	13/3
Turkey							
Istanbul Cmp(Jan 1986)	67241.6	64776.0	65224.5	72806.50	2/4	38779.38	2/1
WORLD							
MS Capital Int(1/1/70)	765.6*	765.2	765.6	778.48	25/4	725.98	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1657.69	1652.44	1654.88	1682.87	26/4	1584.40	11/1
Euro Top-100(26/6/90)	1437.90	1426.82	1422.95	1458.28	26/4	1333.81	11/1
HSBC JD Dryr(31/12/58)	(u)	374.37	374.58	380.16	16/4	344.18	2/1
JSG Emerg Eu(7/1/90)	162.39	161.25	161.30	163.66	22/4	147.35	2/1

* Sat May 4 : Taiwan Weighted Price 6086.37; Korea Comp Ex 964.65. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 10 - 2470.02 +28.45.

US INDICES

Dow Jones	May 10	May 9	May 8	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5518.14	5475.14	5474.06	5689.74 (3/4)	5032.94 (10/1)	5689.74 (3/4/96)	41.22 (2/7/32)
Home Bonds	101.26	101.03	101.19	105.05 (14/2)	101.10 (9/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2187.92	2171.60	2160.00	2221.00 (10/4)	1882.71 (18/1)	2221.00 (10/4/96)	12.32 (8/7/32)
Utilities	211.70	210.03	209.47	234.56 (12/2)	205.42 (7/5)	238.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5550.66 (5504.76) Low 5476.03 (5419.87) (Theoretical)
Day's high 5533.67 (5504.05) Low 5477.87 (5461.08) (Actual)

Standard and Poors	May 10	May 9	May 8	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	652.09	645.44	644.77	661.45 (12/2)	598.48 (10/1)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials‡	772.88	765.45	765.71	777.84 (1/5)	702.87 (15/1)	777.84 (1/5/96)	3.62 (21/6/32)
Financial	65.43	64.16	64.21	68.56 (5/3)	58.67 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	350.02	345.61	345.88	351.82 (4/4)	321.41 (10/1)	351.82 (4/4/96)	4.46 (28/4/42)
Amex Mkt Val	591.33	587.21	584.84	590.79 (1/5)	529.05 (18/1)	590.79 (1/5/96)	29.31 (9/12/72)
NASDAQ Comp	1202.76	1187.83	1183.43	1202.76 (10/5)	988.57 (15/1)	1202.76 (10/5/96)	54.87 (31/10/72)

■ RATIOS

	May 3	Apr 26	Apr 19	Year ago
Dow Jones Ind. Div. Yield	2.21	2.17	2.17	2.52

	May 8	May 1	Apr 24	Year ago
S & P Ind. Div. yield	1.92	1.88	1.87	2.22
S & P Ind. P/E ratio	21.28	21.80	21.43	18.70

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Extd Comm	11,032,800	29¾	+14⅝
Designer Hlds	9,451,400	25	+7
Micron Tech	6,190,500	33⅝	-⅛
Halsband NY	5,016,900	26⅛	+⅛
Global Mar	4,627,400	11⅛	+⅛
Fed Natl	4,621,500	31⅝	+1⅛
Polymer	3,755,700	19⅛	+1⅛
Bay Network	3,439,300	34⅝	-⅛
Telefonos	3,346,500	33⅞	+⅛
Health Sys	3,288,300	30	-⅛

■ TRADING ACTIVITY

■ Volume (million)

	May 10	May 9	May 8
New York SE	428.363	403.712	497.345
Amex	25.507	25.810	28.829
NASDAQ	(u)	650.863	773.489

NYSE	May 10	May 9	May 8
Issues Traded	3,145	3,118	3,132
Rises	1,715	1,331	1,204
Falls	717	980	1,162
Unchanged	713	807	766
New Highs	120	71	34
New Lows	8	18	27

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (500 x Index)							
May	2077.0	2106.5	+32.5	2107.0	2062.0	21,552	32,021
Jun	2056.0	2088.0	+33.0	2085.0	2043.5	1,250	30,435
■ DAX							
Jun	2478.0	2502.5	-26.5	2503.5	2462.5	24,017	-
Sep	2492.5	2521.5	-29.0	2522.0	2483.0	387	-
■ OMX							
Apr	-	1513.00	-	-	-	-	-
May	-	1510.50	-	-	-	-	-
■ SOFFEX							
May	3512.1	3545.1	+36.1	3546.0	3487.0	6,814	22,716
Jul	3506.0	3525.0	-4.0	3506.0	3506.0	225	2,454
■ S&P 500							
Jun	647.30	654.80	+7.55	656.70	650.95	74,321	183,555
Sep	657.70	660.45	+7.75	660.80	656.50	1,289	11,426
■ Nikkei 225							
Jun	21400.0	21490.0	+190.0	21500.0	21330.0	20,831	264,424
Sep	21410.0	21440.0	+40.0	21540.0	21400.0	177	17,268

Open interest figures for previous day

† Correction. ¶ Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. The figures in brackets are previous day's. ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, May 10, 1996

	Stocks Traded	Closing Prices	Change on day
Nagasakiya	8.2m	810	+67
Nissho Iwai	7.3m	626	+15
SS Pharmcls	6.8m	1190	+20
Toshiba Corp	6.0m	786	+17
Sakai Heavy Ind	5.5m	1610	
Mitsubishi Hvy	4.8m	908	-4
Nippon Stl Corp	4.6m	363	-7
Copal	4.3m	850	+100
Kenon Elect Ry	4.2m	1160	+30
Nissan Motor	3.8m	860	-4

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

May 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3370	+0.0814	294 - 445	16.3467	16.2508	16.3057	2.3	16.2308	2.6	-	-	104.9
Belgium	(BFr)	47.7472	+0.2591	057 - 888	47.7888	47.5010	47.6422	2.6	47.4322	2.6	46.4122	2.8	106.7
Denmark	(DKr)	8.8825	+0.0372	581 - 669	8.8693	8.8198	8.8471	2.1	8.8143	2.2	8.771	2.1	107.5
Finland	(FM)	7.1868	-0.0112	792 - 939	7.2230	7.1570	7.1822	0.7	7.1742	0.7	-	-	82.8
France	(FFr)	7.8696	+0.0363	643 - 688	7.8772	7.8328	7.8525	2.2	7.8246	2.1	7.6917	2.2	109.2
Germany	(DM)	2.3217	+0.0114	207 - 227	2.3237	2.3106	2.3167	2.6	2.3063	2.7	2.2658	2.8	109.3
Greece	(Dr)	370.284	+1.986	062 - 506	371.078	368.071	-	-	-	-	-	-	68.9
Ireland	(I£)	0.9704	+0.0022	697 - 711	0.9719	0.9674	0.9696	1.0	0.9683	0.9	0.9616	0.9	98.8
Italy	(L)	2375.30	-1.19	437 - 623	2381.33	2370.10	2383.55	-4.2	2398.65	-3.9	2451.36	-3.2	75.7
Luxembourg	(LFr)	47.7472	+0.2591	057 - 888	47.7888	47.5010	47.6422	2.6	47.4322	2.6	46.5122	2.6	100.7
Netherlands	(Fl)	2.5944	+0.0129	931 - 956	2.6033	2.5825	2.588	2.9	2.5753	2.9	2.5182	3.0	107.0
Norway	(NKr)	9.9739	+0.0311	663 - 815	9.9844	9.9410	9.9649	1.1	9.9458	1.1	9.8501	1.2	98.4
Portugal	(Es)	239.652	+0.469	559 - 745	239.351	238.278	239.077	-2.1	239.982	-2.0	-	-	94.8
Spain	(Pta)	193.996	+0.434	913 - 078	194.410	193.508	194.308	-1.9	194.901	-1.7	196.456	-1.3	81.2
Sweden	(SKr)	10.3250	-0.0173	169 - 330	10.3452	10.2969	10.3262	-0.1	10.3278	-0.1	10.3301	0.0	88.8
Switzerland	(SFr)	1.8940	+0.0099	929 - 951	1.8970	1.8840	1.8878	3.9	1.875	4.0	1.8173	4.0	111.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	-
Ecu	-	1.2377	+0.0055	371 - 383	1.2385	1.2323	1.2364	1.3	1.2334	1.4	1.2201	1.4	84.7
SDR†	-	1.04851	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5215	-0.0008	202 - 227	1.5264	1.5202	-	-	-	-	-	-	-
Brazil	(R$)	1.5136	+0.001	131 - 141	1.5200	1.5118	-	-	-	-	-	-	-
Canada	(C$)	2.0808	-0.0013	799 - 817	2.0909	2.0781	2.0801	0.4	2.0784	0.8	2.0884	0.6	84.2
Mexico	(New Peso)	11.3408	-0.0486	328 - 487	11.4218	11.3310	-	-	-	-	-	-	-
USA	($)	1.5226	-0.0008	222 - 229	1.5290	1.5202	1.5218	0.6	1.5204	0.6	1.5168	0.4	96.4
Pacific/Middle East/Africa													
Australia	(A$)	1.8948	-0.0129	938 - 958	1.9124	1.8930	1.8974	-1.6	1.9024	-1.6	1.9277	-1.7	94.2
Hong Kong	(HK$)	11.7777	-0.0049	742 - 812	11.8268	11.7603	11.7696	0.8	11.758	0.7	11.7382	0.3	-
India	(Rs)	53.4416	+0.2835	487 - 345	54.0500	53.0450	-	-	-	-	-	-	-
Israel	(Shk)	4.9287	-0.0027	243 - 330	4.9368	4.9070	-	-	-	-	-	-	-
Japan	(Y)	160.401	+0.859	288 - 514	160.560	159.280	159.676	5.4	158.186	5.5	151.771	5.4	139.0
Malaysia	(M$)	3.7877	-0.006	860 - 893	3.8054	3.7853	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2032	-0.0099	019 - 045	2.2169	2.2016	2.2092	-2.7	2.2178	-2.6	2.2515	-2.2	107.6
Philippines	(Peso)	39.8300	-0.0004	599 - 000	39.9370	39.7475	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7102	-0.0022	086 - 118	5.7341	5.7017	-	-	-	-	-	-	-
Singapore	(S$)	2.1397	-	384 - 409	2.1470	2.1359	-	-	-	-	-	-	-
South Africa	(R)	6.6460	-0.212	368 - 551	6.7999	6.5246	-	-	-	-	-	-	-
South Korea	(Won)	1185.15	-0.55	473 - 558	1190.02	1183.48	-	-	-	-	-	-	-
Taiwan	(T$)	41.3609	-0.0247	508 - 711	41.5353	41.3038	-	-	-	-	-	-	-
Thailand	(Bt)	38.4338	-0.0037	203 - 466	38.5750	38.3880	-	-	-	-	-	-	-

† Rates for May 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.7300	+0.0576	275 - 325	10.7410	10.6830	10.7105	2.2	10.6885	2.3	10.485	2.3	104.9
Belgium	(BFr)	31.3600	+0.1825	400 - 800	31.3800	31.1700	31.305	2.1	31.19	2.2	30.65	2.3	108.6
Denmark	(DKr)	5.8865	+0.0287	850 - 880	5.8935	5.8520	5.878	1.5	5.862	1.7	5.793	1.6	105.8
Finland	(FM)	4.7201	-0.0055	163 - 238	4.7478	4.6848	4.7138	1.7	4.7016	1.6	4.6561	1.4	81.7
France	(FFr)	5.1667	+0.0258	664 - 670	5.1705	5.1374	5.1597	1.6	5.1455	1.6	5.0777	1.7	108.7
Germany	(DM)	1.5249	+0.0081	246 - 252	1.5268	1.5155	1.5224	2.0	1.5166	2.2	1.4884	2.4	107.9
Greece	(Dr)	243.200	+1.4	110 - 290	243.510	241.770	244.875	-8.3	248.225	-8.3	262.2	-7.8	66.6
Ireland	(I£)	1.5690	-0.0043	[illegible] - 697	1.5780	1.5699	1.5696	-0.4	1.5704	-0.4	1.5619	0.4	-
Italy	(L)	1560.06	-0.17	[illegible] - 055	1562.71	1555.15	1566.13	-4.7	1577.68	-4.5	1618.58	-3.7	74.7
Luxembourg	(LFr)	31.3600	+0.1825	400 - 800	31.3800	31.1700	31.307	2.0	31.2005	2.0	30.72	2.0	105.6
Netherlands	(Fl)	1.7040	+0.0081	035 - 044	1.7082	1.6943	1.7006	2.4	1.6935	2.5	1.6618	2.5	108.8
Norway	(NKr)	6.5509	+0.023	473 - 543	6.5578	6.5146	6.5478	0.5	6.5423	0.6	6.5058	0.7	97.7
Portugal	(Es)	156.745	+0.37	720 - 770	157.000	156.090	157.06	-2.4	157.65	-2.3	158.705	-1.9	94.8
Spain	(Pta)	127.415	+0.335	390 - 440	127.580	126.870	127.665	-2.4	128.085	-2.1	129.635	-1.7	80.8
Sweden	(SKr)	6.7814	-0.0087	770 - 851	6.7948	6.7441	6.7924	-2.0	6.8099	-1.7	6.8519	-1.0	87.8
Switzerland	(SFr)	1.2440	+0.007	435 - 444	1.2472	1.2340	1.2405	3.4	1.233	3.5	1.1995	3.6	111.5
UK	(£)	1.5226	-0.0008	222 - 229	1.5290	1.5202	1.5218	0.6	1.5204	0.6	1.5168	0.4	83.8
Ecu	-	1.2302	-0.008	298 - 305	1.2378	1.2292	1.2309	-0.7	1.2326	-0.8	1.2414	-0.9	-
SDR†	-	0.68799	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	997 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9941	+0.001	940 - 942	0.9942	0.9940	-	-	-	-	-	-	-
Canada	(C$)	1.3667	-0.0003	664 - 669	1.3677	1.3682	1.3665	0.1	1.3668	0.0	1.3696	-0.2	83.3
Mexico	(New Peso)	7.4485	-0.029	450 - 520	7.4520	7.4420	7.61	-26.0	7.795	-18.6	9.5585	-28.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2444	-0.0079	441 - 449	1.2508	1.2440	1.2464	-1.9	1.2499	-1.8	1.2688	-1.9	94.6
Hong Kong	(HK$)	7.7355	-0.0002	350 - 360	7.7365	7.7350	7.7362	-0.1	7.738	-0.1	7.765	-0.4	-
India	(Rs)	35.1000	+0.2	500 - 500	35.4300	34.8450	35.25	-5.1	35.555	-5.2	37.025	-5.5	-
Israel	(Shk)	3.2371	-0.0005	350 - 392	3.2425	3.2255	-	-	-	-	-	-	-
Japan	(Y)	105.350	+0.605	300 - 400	105.410	104.850	104.905	5.1	104.005	5.1	100.265	4.8	140.1
Malaysia	(M$)	2.4877	-0.003	872 - 882	2.4913	2.4865	2.4896	-0.4	2.4947	-1.1	2.5182	-1.2	-
New Zealand	(NZ$)	1.4470	-0.0059	465 - 476	1.4499	1.4458	1.4501	-2.6	1.4559	-2.5	1.4805	-2.3	-
Philippines	(Peso)	26.1600	+0.01	200 - 000	26.2000	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7508	3.7502	3.7508	-0.1	3.7515	-0.1	3.7549	-0.1	-
Singapore	(S$)	1.4053	+0.0005	048 - 058	1.4060	1.4045	1.4018	3.0	1.3958	2.7	1.3703	2.5	-
South Africa	(R)	4.3850	-0.1375	800 - 700	4.4700	4.3500	4.3937	-7.9	4.4453	-7.4	4.6966	-7.0	-
South Korea	(Won)	778.400	-0.05	300 - 500	778.500	778.200	-	-	-	-	-	-	-
Taiwan	(T$)	27.1655	-0.0055	650 - 660	27.1690	27.1640	27.1695	-0.9	27.2255	-0.9	-	-	-
Thailand	(Bt)	25.2425	+0.0075	400 - 450	25.2600	25.2310	25.3412	-4.7	25.545	-4.8	26.4275	-4.7	-

† SDR rate per $ for May 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 9: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

May 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	5	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	2	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.10	5.12	5.29	5.66	-	-	-
week ago	-	5.10	5.16	5.31	5.69	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.48	94.51	+0.03	94.53	94.47	41,933	387,296
Sep	94.25	94.29	+0.06	94.34	94.21	44,582	350,764
Dec	93.91	94.02	+0.11	94.07	93.88	94,184	349,731

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.77	16.48	4.853	2.031	4974	5.432	20.89	499.9	405.3	21.63	3.966	2.094	4.359	3.190	335.9	2.593
Denmark	(DKr)	53.27	10	8.777	2.581	1.082	2650	2.894	11.13	266.3	215.4	11.53	2.113	1.116	2.322	1.699	179.0	1.381
France	(FFr)	60.70	11.39	10	2.952	1.233	3019	3.297	12.68	303.4	246.6	13.13	2.408	1.271	2.645	1.936	203.9	1.574
Germany	(DM)	20.56	3.860	3.388	1	0.418	1023	1.117	4.296	102.8	83.56	4.449	0.816	0.431	0.896	0.656	69.08	0.533
Ireland	(I£)	49.23	9.240	8.110	2.394	1	2448	2.674	10.28	246.1	200.0	10.65	1.953	1.031	2.145	1.570	165.4	1.276
Italy	(L)	2.011	0.377	0.331	0.098	0.041	100.	0.109	0.420	10.05	8.168	0.435	0.080	0.042	0.088	0.064	6.754	0.052
Netherlands	(Fl)	18.41	3.455	3.033	0.895	0.374	915.6	1	3.845	92.02	74.79	3.982	0.730	0.386	0.802	0.587	61.84	0.477
Norway	(NKr)	47.87	8.986	7.886	2.328	0.973	2381	2.601	10	239.3	194.5	10.35	1.899	1.003	2.086	1.527	160.8	1.241
Portugal	(Es)	20.00	3.755	3.296	0.973	0.406	995.0	1.087	4.178	100.	81.27	4.328	0.793	0.419	0.872	0.638	67.20	0.519
Spain	(Pta)	24.61	4.620	4.055	1.197	0.500	1224	1.337	5.141	123.0	100.	5.325	0.976	0.515	1.073	0.785	82.68	0.638
Sweden	(SKr)	46.22	8.677	7.616	2.248	0.939	2299	2.511	9.655	231.1	187.8	10	1.833	0.968	2.015	1.474	155.3	1.198
Switzerland	(SFr)	25.21	4.732	4.154	1.226	0.512	1254	1.370	5.266	126.0	102.4	5.454	1	0.528	1.099	0.804	84.69	0.654
UK	(£)	47.75	8.963	7.867	2.322	0.970	2375	2.594	9.974	238.7	194.0	10.33	1.894	1	2.081	1.523	160.4	1.238
Canada	(C$)	22.95	4.307	3.780	1.116	0.466	1141	1.247	4.793	114.7	93.22	4.964	0.910	0.481	1	0.732	77.08	0.595
US	($)	31.35	5.885	5.165	1.525	0.637	1559	1.703	6.549	156.7	127.4	6.783	1.244	0.657	1.366	1	105.3	0.813
Japan	(Y)	29.77	5.588	4.905	1.448	0.605	1481	1.617	6.216	148.8	120.9	6.440	1.181	0.623	1.297	0.950	100.	0.772
Ecu		38.57	7.240	6.355	1.876	0.784	1918	2.095	8.057	192.8	156.7	8.344	1.530	0.808	1.681	1.230	129.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.6597	0.6554	-0.0041	0.6611	0.6548	18,965	77,572
Sep	0.6641	0.6591	-0.0042	0.6646	0.6585	200	4,201
Dec	-	0.6632	-0.0043	0.6683	-	471	974

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.8100	0.8037	-0.0061	0.8129	0.8032	12,953	42,218
Sep	0.8165	0.8105	-0.0062	0.8195	0.8103	49	2,065
Dec	-	0.8183	-0.0063	0.8266	0.8190	3	724

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.9598	0.9529	-0.0067	0.9609	0.9521	10,008	63,680
Sep	0.9703	0.9642	-0.0067	0.9708	0.9638	136	2,796
Dec	0.9755	0.9755	-0.0067	0.9755	0.9755	12	2,048

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	1.5208	1.5200	-0.0008	1.5284	1.5186	9,867	40,228
Sep	1.5266	1.5184	-0.0008	1.5270	1.5186	60	391
Dec	1.5220	1.5170	-0.0010	1.5270	1.5220	18	34

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.490	2.95	2.98	3.18	0.05	0.10	0.38
1.500	1.95	2.18	2.51	0.08	0.27	0.69
1.510	0.98	1.47	1.84	0.04	0.56	0.96
1.520	0.15	0.90	1.30	0.15	0.99	1.44
1.530	-	0.50	0.88	0.95	1.59	2.02

Previous day's vol., Calls 9,300 Puts 4,486 . Prev. day's open int., Calls 178,822 Puts 164,099

Pound in New York

May 10	—Close—	—Prev. close—
£ spot	1.5205	1.5205
1 mth	1.5197	1.5197
3 mth	1.5183	1.5184
1 yr	1.5142	1.5145

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets pages in Today's edition.

FT GOLD MINES INDEX

	May 10	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2366.06	+23.6	60.11	100.00	1.31	-	2820.73	1722.98
Regional Indices								
Africa (13)	3175.85	+26.9	16.88	28.07	2.26	38.39	3653.86	2272.74
Australasia (6)	2707.72	+14.3	6.50	10.81	[illegible]	28.70	2927.34	2098.51
North America (11)	2967.73	+24.6	36.74	61.11	0.67	67.54	2186.39	1488.94

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs. yld	P/E net
-	F.P.	18.8	96	94	AIM Distrbn	94		b4.5	-	6.0	-
-	F.P.	26.1	146	120	†Active Imaging	121		-	-	-	-
-	F.P.	2.04	11¼	10	Atlantis Japan	10¼		-	-	-	-
-	F.P.	0.12	3	2¼	Atlantis Jap Wrt	3		-	-	-	-
-	F.P.	-	175	125	Biocompatible Unit	175	+5	-	-	-	-
105	F.P.	3.70	124	118	†CA Coutts	120	+2	-	-	-	-
-	F.P.	13.2	1050	880	Cairngorm Units	925		-	-	-	-
-	F.P.	0.88	250	25	Cairngorm Wts	230		-	-	-	-
100	F.P.	9.50	96	95	Capital Co's VCT	95		-	-	-	-
-	F.P.	7.84	39	30	†FNR	34		-	-	-	-
150	F.P.	53.6	160	155	†La Senza	160	+2	-	-	-	-
-	F.P.	46.8	250	223	MSB Int'l	240		L4.0	3.0	2.1	19.9
-	F.P.	107.3	274	230	Maiden Group	273	+2	R4.5	-	2.2	-
278	F.P.	472.9	332	278	Mill & Copthorne	327	+6	4.7	-	1.8	-
175	F.P.	57.1	185	173	Phytopharm	185	+7	-	-	-	-
-	F.P.	6.56	22	18½	Perp Inc Wrnts	19		-	-	-	-
-	F.P.	33.1	48	43	†Reflec	48		-	-	-	-
-	F.P.	-	98	95	Singer & Fr Alt	98		-	-	-	-
-	F.P.	-	11	9	Singer & F Wts	11		-	-	-	-
-	F.P.	8.12	4¼	3½	†Sira Bus Serv	4¼	+¼	-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	1996 Low	Stock	Closing price p	+or-
90	Nil	14/6	25pm	20pm	Ind Control Svc	24pm	
-	Nil	21/5	4pm	4pm	Knox D'Arcy	4pm	
180	Nil	21/5	7pm	2pm	On Demand Info	2pm	
25	Nil	20/5	3pm	1½pm	Queensborough	2pm	
280	Nil	15/5	84pm	30pm	Tottenham Hotspur	80pm	

pm premium.

UK INTEREST RATES

LONDON MONEY RATES

May 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 5	[illegible]	[illegible]	[illegible] - 6	[illegible]	[illegible]
Sterling CDs	-	-	6 - [illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6	[illegible]
Discount Market deps	[illegible]	6 - [illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on May 10, 5.8154pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.39pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 6.076pc. Finance House Base Rate 6.5pc from May 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	May 10	May 3		May 10	May 3
Bills on offer	£1000m	£1000m	Top accepted rate	5.8159%	5.8388%
Total of applications	£3218m	£3143m	Ave. rate of discount	5.8154%	5.8172%
Total allocated	£1000m	£1000m	Average yield	5.9910%	5.9028%
Min. accepted bid	£98.560	£98.545	Offer at next tender	£1000m	£1000m
Allotment at min. level	82%	7%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday May 8, 1996	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,266,766,139	+583,486,079
Bankers deposits	1,801,968,548	-112,148,955
Reserve and other accounts	3,329,388,396	+50,002,122
	6,412,676,083	+521,339,246
Assets		
Government securities	1,169,563,900	-48,368,675
Advance and other accounts	1,838,042,703	-489,543,135
Premises, equipment and other secs	3,398,480,487	+1,065,038,535
Notes	6,408,364	-5,800,654
Coin	180,629	+11,375
	6,412,676,083	+521,339,246
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,333,591,636	+185,800,654
Notes in Banking Department	6,408,364	-5,800,654
	20,340,000,000	+180,000,000
Assets		
Other Government securities	14,134,562,644	-300,625,619
Other Securities	6,205,437,356	+120,925,619
	20,340,000,000	+180,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00		

● Members of London Investment Banking Association

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

LGT Asset Management Ltd

IRELAND (REGULATED)(**)

Daiwa Europe Fund Mgrs Ireland Ltd

Dragon Korea Fund Plc

Dynamic Pacific Portfolio Fund Plc

ISLE OF MAN (SIB RECOGNISED)

Bank of Ireland Asset Mngmt - Contd.

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds (u)

S-E-Banken Luxembourg SA - Contd.

Sarasin Investment SICAV (u)

Schroder International Selection Fd (u)

LUXEMBOURG (REGULATED)(**)

هكذا من الاصل

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	Selling Price	Buying Price	Yield Gross	City-Line

Credit Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd - Contd.

Premier Life

Buchanan Capital Management Ltd

CA Securities Investment Fund Mngmt Ltd

Global Asset Management

MBf Unit Trust Managers Limited

MD Sass Re/Enterprise International Ltd

MFS Meridian Funds

Regent Kingpin Capital Management Ltd

Regis Asset Management

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♣) - 1101 to 1400 hours
(●) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
a - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
59 - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies
Φ - Yield column shows annualised rates of NAV increase.

The fund prices on these pages are also available on the Internet at www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Allied Domecq		500	0.6	Q29.6	1.2	Feb Jul	4.12	1980
Bulmer (HP)		609	0.2	12.3	2.6	Feb Sep	8.1	2085
Burn St Distl		117xd	-.8	5.0	0.9	May Nov	22.4	1518
Glenmorangie A		633		10.9	3.3	Jan Jul	11.12	3267
Grand Met		441	2.8	14.9	1.6	Apr Oct	29.12	2789
Guinness		484xd	3.0	14.9	2.1	May Nov	1.4	2791
Highland		377xd	3.6	8.0	2.7	Jan Jun	7.5	2880
Kirin Y		812	-1.9	Q20%	4.2	Mar Sep	–	1110
Macallan-Glen		168xd		1.45	3.3	May Nov	15.4	3254
For MacDonald Martin see Glenmorangie								
Matthew Clark		776	0.5	22.0	0.2	Apr Oct	29.1	2153
Merrydown		123	1.6	2.0	–	Jan Oct	11.12	3362
Seagram S		522	-.5	Q80c	–	MrJnSpDe	3.93	–

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Pf		601¼		8%	–	Jan Dec	11.94	1797
Cater Allen		409	-3.1	38.0	2.0	Jan Aug	11.12	2081
Close Bros		391	-.3	9.05	2.5	Apr Nov	11.3	2166
Gerrard & Nat		392	-.5	22.5	1.3	Jul Dec	13.11	3885
Hambros		237	-2.5	7.5	–	Aug Dec	27.11	2812
7½pc Cv Pf		112	-1.8	7½%	–	Oct Apr	26.2	4988
King & Shaxson		170	4.3	9.0	1.4	Jan Jul	22.12	3968
Leopold J		458		18.75	1.6	Sep Jan	11.12	3060
Rea Brothers		88xd		1.0	2.0	May Sep	1.4	3785
Schroders		1268	0.2	16.0	4.5	May Oct	25.3	3939
N/V		1028	0.3	16.0	4.5	May Oct	25.3	3941
Singer & Fried		113xd		4.0	3.0	Jan Nov	29.4	4038
8½pc Cv Ln 03/14		£136¼	0.9	08½%	–	–	25.3	4845
Union		93		3.0	Φ	Apr Aug	4.3	4353

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Cardcast, Romtec (AIM). Cruden Bay, Herald Inv C (InTr),Beta Mekong Fnd, Br Smllr Co's VCT, Quester VCT (InCo), Harvey Nichols (ReGn), Chemex Intl (SpSv). Deletions: Nova Corp Alberta (Can), Buffels (ExIn), Fogus (GasD), Schroder UK Grwth Units (InTr).

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The share prices printed on these pages are also available on the Internet at www.FT.com.

4 pm close May 10

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22⅛	19½	AAR	0.48	2.3	23	342	21½	20⅞	21	+⅛
46⅛	38⅜	AMP x	1.00	2.4	20	7750	41⅞	40½	40⅞	-1
94	68	AMR			22	4035	90⅛	88¾	89½	+⅞
50½	37⅞	ASA	1.80	3.9	30	716	46⅛	45¾	46	-¼
44¾	38⅛	AbbotL	0.96	2.4	18	8653	40⅜	39⅞	40⅛	-⅜
17¼	13⅞	Abitibi Pr	0.40	2.9	7	52	14⅛	14	14	-⅛
35⅝	27	ABM Ind	0.70	2.0	18	59	35½	35¼	35¼	-¼
16⅛	13⅞	Acptncecin			41	65	16	15¾	15⅞	-⅛
50⅜	37¾	ACE Ltd	0.56	1.3	10	414	44⅛	43⅞	44¼	+1¼
9⅞	9¼	ACM Gvt In x	0.90	9.4	8	95	9¾	9⅝	9⅝	-⅛
7⅝	6¾	ACM GvOpp x	0.57	8.3		108	7	6⅞	6⅞	
7⅛	6¼	ACM Gvt Sp x	0.66	10.2		217	6½	6⅜	6½	+⅛
9⅛	8¼	ACM Gvt Se x	0.90	10.6		369	8⅝	8½	8½	
9½	8¾	ACM Man x	0.90	10.0		389	9	8⅞	9	+⅛
30¾	16½	AcmeClv x	0.52	1.7	7	169	30⅛	29⅞	29⅞	-⅛
13⅞	6⅛	Acme Elect			52	84	9¾	9½	9½	-⅛
32½	27¾	Acordia	0.72	2.2	19	8	32⅜	32⅛	32¼	
21	12	Acuson			90	715	20⅜	19¾	20	-⅛
19½	18⅜	Adams Exp	1.66	8.9	0	513	18⅞	18⅝	18¾	
21¼	16⅛	AdvMic			7	6608	18¾	18¼	18⅛	-½
11⅛	8½	Advest Grp	0.16	1.5	7	89	10¾	10½	10¾	+⅜
26⅛	9⅛	Advo Inc	0.10	0.9	63	129	11½	11¼	11½	-⅛
50⅜	41⅛	Aegon	1.23	2.5	15	30	49⅞	49¾	49¾	-¼
5½	3½	Aerflx			9	173	5⅜	5⅛	5¼	
78¾	66⅞	AetnaL	2.76	4.0	18	5514	69¾	68	69¾	+2
33	28¾	Aflac	0.40	1.3	13	1405	31⅛	30¼	30⅞	+⅝
20⅜	17½	AGL Res.	1.06	5.8	16	514	18½	17⅞	18¼	-¼
26¾	21⅛	Ahmanson x	0.88	3.7	6	14994	23⅞	23¼	23⅜	+½
59¼	50⅜	AirPrC	1.04	1.8	15	1741	57⅜	56⅝	57	+⅛
28⅜	23½	Airbrne Frt x	0.30	1.2	24	573	26	25	26	+⅞
22½	15½	Airgas Inc			33	1149	20⅝	20⅜	20⅜	+⅛
[illegible]										

- B -

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- C -

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- J -

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- P - Q -

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Continued on next page

4 pm close May 10

NYSE PRICES

Continued from previous page

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
63⅜	50½	SchrPl	1.32	2.4	21	6075	56	54⅛	55¾	+1½
91⅜	65⅞	Schlmb	1.50	1.7	31	7400	88½	87	87	-½
14½	9⅜	Schlr			3	1630	10⅞	10⅝	10⅝	
27⅜	18⅝	Schwab(C) x	0.16	0.7	24	5770	24½	23⅛	24⅜	+1⅝
28⅞	22⅜	SchwMaud x			13	430	26¾	26⅛	26½	+¼
19¾	13⅛	ScAll	0.06	0.3	48	1001	18⅞	18⅝	18¾	+⅛
19⅝	17	Scotman	0.10	0.5	11	92	u19⅝	19½	19⅝	
43½	38⅛	Scripps	0.52	1.2	25	203	42	41⅞	42	+⅛
18⅛	14½	ScuddrNAsF	0.02	0.1		107	15⅜	15⅛	15¼	
12½	11	ScuddrNEuF	0.16	1.3		158	12⅛	12	12	-⅛
19⅛	16	SeaCnB	0.70	3.8	2	220	18½	18⅜	18⅜	-⅛
16	15⅛	SeaC1 4625	1.46	9.4		2	15½	15½	15½	+⅛
67¾	44¾	S'gate			21	10267	57⅛	55⅝	56½	+¾
38⅜	31¾	Seagrm	0.60	1.8	23	2445	34	33⅝	33¾	+¼
24⅝	17⅛	Seagull En			15	940	23⅝	23⅛	23⅜	+⅜
38⅛	26	Sealed Air			25	413	35	34½	34½	-½
53¼	38¼	SearsR	0.92	1.8	14	15018	51¾	50¾	51¼	+⅝
22¼	19¼	SecCapSBI x	1.24	5.8	21	199	21⅜	21⅛	21¼	-⅛
13	11⅞	Seligm Sel	0.84	6.6		53	12¾	12⅝	12¾	+⅛
23¾	13⅝	Sensormat x	0.22	1.2	16	4909	18⅝	18¼	18⅝	+⅛
35¾	29½	SequaA	0.60	1.7	61	35	35	34¾	35	
42⅛	38	SequaB	0.50	1.2	73	42	u42⅛	41	42	+1½
53½	36⅞	SrvCp	0.48	0.9	27	4780	53⅛	52	53	+1
33½	29⅛	SvMstr	1.02	3.2	14	360	32½	32	32⅜	+⅝
6	4½	ServMerch			10	7001	5¼	5	5¼	+¾
48¼	28½	SSSThg	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- T -

- U -

- V -

- W -

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
43⅝	27⅞	Wyle Labor	0.32	0.8	18	2509	42	39½	42	+2⅝
27⅞	18	Wynns Int	0.40	1.5	15	200	26⅞	26¼	26¼	+⅛

- X - Y - Z -

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
153	119⅞	Xerox	3.48	2.3	38	4396	151⅞	149⅛	149½	-½
47⅞	38¾	Xtra Corp	0.72	1.5	18	81	46⅞	46⅝	46¾	-¼
26¾	21¾	Yankee Egy	1.28	5.8	72	72	21⅞	21⅝	21¾	
52⅞	43⅞	York Intl	0.36	0.7	22	1715	u52⅞	51⅛	52⅞	+1
3⅞	3	Zapata	0.14	3.8	6	56	3¾	3⅝	3⅝	-⅛
25¾	5⅞	Zenith			8	9006	18⅝	17⅛	17⅛	-⅝
26⅛	21⅛	Zenith Nat x	1.00	4.0	38	187	25¼	25	25⅛	+⅛
7⅛	6½	Zenix Inc	0.72	10.5		380	7	6⅞	6⅞	
20⅝	15⅛	Zero	0.12	0.6	18	362	19⅞	19½	19¾	-⅛
23¼	18⅞	Zurn Ind	0.40	2.0	15	181	20¼	19⅞	19⅞	-⅝
11⅞	10⅞	Zweig Fund	1.12	10.1		163	11⅛	11	11⅛	+⅛
9	8½	Zweig Totl x	0.84	9.7		634	8⅝	d8½	8⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. z-sales in full.

¶ Dealings suspended

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AMEX PRICES

4 pm close May 10

NASDAQ NATIONAL MARKET

4 pm close May 10

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

FT GUIDE TO THE WEEK

MONDAY 13

French endorse defence plan

The French cabinet endorses a defence procurement programme for 1997-2002, designed to produce the same amount of weaponry at less cost. French forces are to be fully professionalised. The programme, costing about FFr86bn (£11bn), will be closely watched by France's partners, particularly Germany, for any cuts in collaborative arms projects. For instance, French participation in the pan-European Future Large Aircraft troop transport project remains vague.

S Africa telecoms push

South Africa endeavours to launch the developing world into the global telecommunications village, with the Information Society and Development Conference which it is hosting near Johannesburg (to May 15). The conference follows an appeal by Thabo Mbeki, the deputy president, for better telecommunications among the half of humanity that has never made a telephone call – there are more telephones in Manhattan than in sub-Saharan Africa. Jacques Santer, the EU president, will be among representatives from at least 40 countries.

China steps up foreign trips

Zhu Rongji, the Chinese vice premier, begins an official tour of Indonesia, Thailand and Malaysia (to May 26). In Jakarta, he will attend a symposium on regional economic developments. Mr Zhu's tour is part of a flurry of overseas visits by China's leaders, including the present extensive tour of Africa by President Jiang Zemin (to May 14).

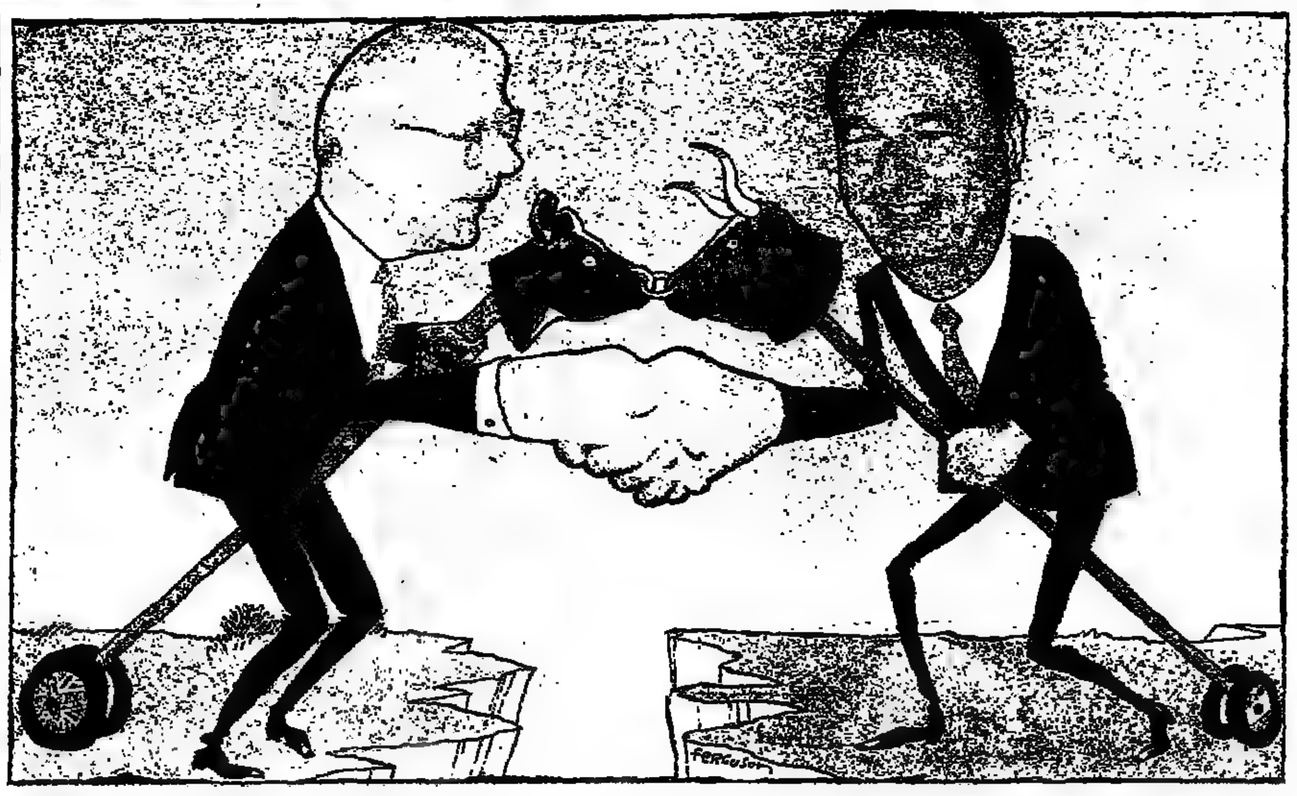
Fall in Japan trade surplus

Japan publishes its balance of payments statistics for the fiscal year 1995-96. These should show the sharpest annual fall in Japan's huge and politically troublesome trade surplus for six years – because of an imports surge. On Thursday, the annual ranking of top taxpayers is presented – usually led by entertainers, sports stars and the odd politician. Interest will be mainly in those strangely missing from the list. Among those hit for the under-paying of taxes last year were TV producers and members of the once-unimpeachable state bureaucracy.

TUESDAY 14

Chirac on state visit to UK

Jacques Chirac, the French president, arrives in Britain for a four-day state visit hosted by the Queen. He will hold talks with John Major, the prime minister, and opposition party leaders, address the houses of parliament, and discuss economic and monetary union issues at the Bank of England. The visit is seen as symbolising a new-found warmth in relations and rapprochement of interests – particularly on defence and some aspects of European policy. However, he has shown a strong commitment to monetary union. And France was the first country to impose the ban on British beef.



On Tuesday, Jacques Chirac, the French president, arrives for a state visit to Britain which is seen to symbolise a rapprochement of interests

Non-aligned in Cartagena

At least 20 foreign ministers from members of the Non-Aligned Movement meet in the Colombian city of Cartagena to discuss candidates for membership and to push ahead with the agenda drawn up when Colombia took over the presidency of the movement. Some countries have questioned whether President Ernesto Samper – under investigation for drug funding of his 1994 election campaign – is an appropriate leader (to May 16).

Privatisation in Prague

Privatisation – how to do it and its impact on societies – is the topic of a conference in Prague that draws together speakers from most countries in central and eastern Europe, including rump Yugoslavia, Bosnia-Hercegovina and Russia. The conference will focus on banking and capital markets, energy, heavy industry and telecommunications. Speakers at the conference, which is sponsored by the Czech privatisation ministry, include Haris Silajdžić, the former prime minister of Bosnia-Hercegovina, and Lajos Bokros, the former Hungarian finance minister.

Germany rules on asylum

Germany's federal constitutional court decides on a challenge lodged against the 1993 asylum laws. Asylum-seekers whose claims have been turned down are complaining about the "third-state ruling" under which Germany refuses to grant asylum to people who arrive in the country via a state considered safe from political oppression.

Tennis

British clay court championships, Cardiff (to May 19).

Public holidays

Georgia, Liberia.

WEDNESDAY 15

Tories threatened on CAP

In an attempt to step up efforts to exploit the Tory party split over Europe in Britain's House of Commons, Labour MPs will table a technical motion for a vote on the common agricultural policy. The government hopes to avoid trouble by making the result non-binding. However, it could face embarrassment if widespread abstention by Tory Eurosceptics were to enable Labour to win.

Czech election campaign

Campaigning officially begins for a general election in the Czech Republic, for which voting takes place on May 31 and June 1. Although it will be the third time Czechs have voted since the overthrow of communism in 1989, it will be the first election since the split with Slovakia three years ago. Opinion polls suggest that because of the success of his centre-right reform programme, Václav Klaus, the prime minister, will be returned for a second four-year term. If so, the Czechs will be among the few countries in post-communist eastern Europe not to oust their reformers.

US to punish China on piracy

A serious trade war between the US and China is poised to break out with President Bill Clinton expected to propose a sanctions list, punishing Beijing for its failure to enforce its laws prohibiting piracy of videos, compact discs, softwear and other intellectual property. The list is expected to identify products whose annual trade value is up to $3bn (£1.9bn). However, the list will be whittled down. The administration is expected to target textiles, clothes, footwear and electronics, and particularly products manufactured in Guangdong province where most of the production of pirated goods takes place.

Smoking ban in Beijing

Beijing's smoking ban comes into effect in public places such as hospitals, schools, cinemas and public lavatories. The ban is to improve public health – with Chinese authorities increasingly aware of healthcare costs. Individuals violating the ban will be fined Yn10 (80p) and organisations Yn5,000. Smoking in public places has already been banned in other major cities in China, which is the world's biggest tobacco producer and consumer.

Venezuela to woo bankers

Venezuela's finance minister, Luis Raul Matos Azocar, travels to New York to talk to investors. Venezuela recently applied austerity measures to reduce its 6.1 per cent budget deficit and reached a preliminary standby agreement with the International Monetary Fund. Mr Matos Azocar will seek to restructure an estimated $7bn (£4.6bn) of the country's $32bn public debt. He must present a viable 1997 budget to Congress within a month.

Redwood v Brittan on Europe

John Redwood, the Eurosceptic Tory MP who challenged the leadership of John Major, the British prime minister, debates with Sir Leon Brittan, the EU trade commissioner, the question "Is Britain's national identity threatened by further European integration?" The debate is sponsored by the Financial Times and takes place at Warwick University.

Horse racing

Dante Stakes, York racecourse, England.

FT Survey

The New Severn Bridge.

Public holidays

Paraguay, Spain (Madrid).

THURSDAY 16

Elections in Gibraltar

Elections take place in Gibraltar, the tiny British crown colony at the tip of Spain and the object of a long-running dispute between London and Madrid. Joe Bossano, the leader of the Gibraltar Socialist Labour Party (GSLP) and chief minister since 1988, seeks a third successive term. He opposes any Spanish-British deal that would compromise the independent status he is attempting to forge for the Rock. The Gibraltar Social Democrat party, neck and neck with the GSLP in opinion polls, wants better relations with Spain – which alleges that under Mr Bossano Gibraltar has become a drug-smuggling and money-laundering centre.

Dominican Republic votes

A new president is being elected in the Dominican Republic to succeed Joaquín Balaguer, an octogenarian who has served six times. He is retiring after only two years of his four-year term following claims that his election was marred by mismanagement and corruption. The frontrunners are Francisco Pena Gomez, of the social democrat Revolutionary party, and Leonel Fernandez, of the Liberation party, which was marxist but is now conservative. Jacinto Peynado, the candidate for Mr Balaguer's conservative Reformist party, is expected to be third.

Greenwich millennium hurdle

Britain's Millennium Commission considers the business plan for the millennium exhibition in Greenwich in 2000. Although the project has been granted up to £200m of lottery funds, Sir Peter Levene – who is leading negotiations with the private sector – has been struggling to find sponsors to match this. He will have to show there is enough commercial interest to warrant pursuing the flagship project rather than falling back on plans for regional celebrations.

Golf

Benson and Hedges International Open, Thame, England (to May 19).

Gymnastics

Women's European championships, Birmingham, England (to May 19).

Judo

European championships, The Hague (to May 19).

Public holidays

Andorra, Aruba, Austria, Belgium, Denmark, Dominican Republic, Finland, France, French West Indies, Germany, Iceland, Indonesia, Ivory Coast, Liechtenstein, Luxembourg, Monaco, Netherlands, Norway, Portugal, Sweden, Switzerland, Tahiti, Vatican City (Ascension Day).

FRIDAY 17

Ramos/Mahathir in Tokyo

Fidel Ramos, the president of the Philippines, and Mohamad Mahathir, the prime minister of Malaysia, speak in Tokyo at a privately sponsored business conference on the future of Asia.

FT Survey

Private Equity Finance.

Public holidays

Norway.

SATURDAY 18

Athletics

The IAAF grand prix meeting at Atlanta, Georgia, marks the official opening of the Olympic stadium.

Public holidays

Haiti, Uruguay.

SUNDAY 19

Elections in Ecuador

Ecuador stages presidential elections to replace the troubled, outgoing government of President Sixto Durán Ballén. Opinion polls place Jaime Nebot, of the Social Christian party, as the front-runner. He would revive market-oriented reforms – which have faced considerable labour and congressional opposition. Other candidates include a television commentator and, although far behind in the polls, a retired army general. José Gallardo, a former defence minister, became a war hero after last year's border conflict with Peru.

Motor racing

Monaco grand prix, Monte Carlo.

Public holidays

Indonesia, Malaysia, Turkey. Several other Moslem countries, depending on the sighting of the moon.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Tuesday: With the markets now debating the pace of world growth and its inflationary implications, they will have a spate of data to watch this week.

In France the INSEE quarterly industrial survey will be watched for further signs that the recent decline in output is bottoming out.

In the UK the markets will scrutinise the Bank of England's quarterly survey for clues for future monetary policy.

In Belgium the European Commission releases its forecasts for 1996 growth.

Meanwhile, in the US April retail sales data will be examined for signs of consumer confidence.

Wednesday: April's jobless data in the UK could provide interesting clues about the underlying strength of the British economy.

Meanwhile, German March retail sales figures, due in the middle of the week, are expected to paint a flat picture of demand. The IFO survey of business climate, however, may show a bottoming out in the level of pessimism.

Thursday: UK inflation figures for April are expected to show little sign of decline.

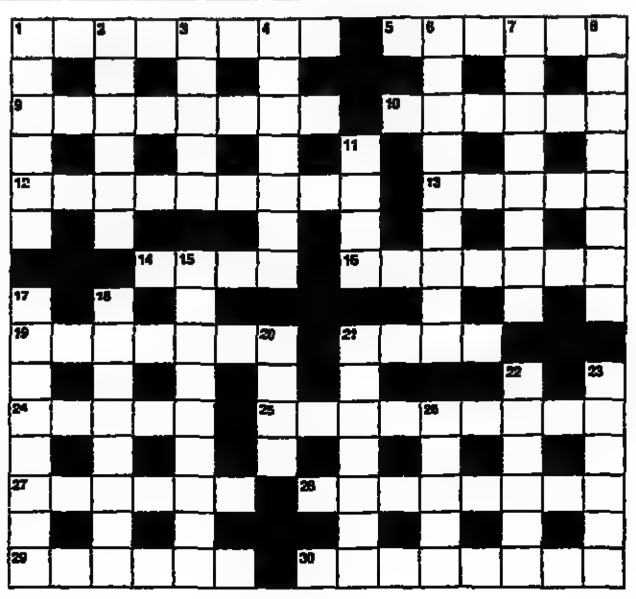
Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Apr consumer price indx prelim*	0.1%	0.6%
May 13	UK	Apr producer price indx input*	0.4%	0.5%
	UK	Apr producer price indx input**	2.3%	2.8%
	UK	Apr producer price indx output*	0.2%	0.2%
	UK	Apr producer price indx output**	3.0%	3.4%
	UK	Apr PPI ex-food, drink & tobacco**	2.9%	3.4%
	UK	Apr British Rtl Consortium survey**	-	7.5%
Tues	US	Apr retail sales	unch	0.1%
May 14	US	Apr retail sales ex-auto	0.3%	0.3%
	US	Apr consumer price indx	0.4%	0.4%
	US	Ditto ex-food & energy	0.3%	0.3%
	US	Apr Atlanta Fed indx	-	-6.3
	US	Apr real earnings	-	-0.5%
	US	Johnson Redbook w/e May 11	-	-2.1%
	Japan	Mar machinery ord ex- power/ships*	-4.0%	1.0%
	Japan	Mar machinery ord ex-power/ships**	13.0%	16.9%
	Japan	2nd qtr machinery orders projection	-	n/a
	UK	Mar new construction	-	n/a
Wed	US	Apr industrial production	0.5%	-0.5%
May 15	US	Apr capacity utilisation	82.7%	82.5%
	US	Mar business inventories	unch	0.1%
	France	Feb current a/c†	FFr6.0bn	FFr14.3bn
	UK	Apr unemployment	-10,000	-25,700
	UK	Mar average earnings	3.5%	3.5%
	UK	Mar unit wages 3m**	4.1%	4.2%
Thur	US	Apr housing starts	1.43m	1.45m
May 16	US	Apr building permits	-	1.42m (rev)
	US	Initial claims w/e May 11	-	336,000
	US	State benefits w/e May 4	-	2.57m
	US	May Philadelphia Fed indx	-	17.3
	US	1st qtr productivity prelim	-	-1.0%
	US	Monthly M1 April	-$3.6bn	-
	US	Monthly M2 April	$4.8bn	-
	US	Monthly M3 April	$4.2bn	-
	Japan	Apr overall wholesale price indx*	0.2%	-0.1%
	Japan	Apr domestic wh'sale price indx**	-	-1.1%
	UK	Apr retail price indx*	0.7%	0.5%
	UK	Apr retail price indx**	2.4%	2.7%
	UK	Ditto ex-mortgage int payments	2.9%	2.9%
Fri	US	Mar trade: goods & services	-$8.3bn	-$8.2bn
May 17	US	Mar goods & services export (BoP)	$68.3bn	$68.1bn
	US	Mar goods & services import (BoP)	$76.5bn	$76.3bn
	Japan	Apr money supply (M2+CD)**	3.2%	3.0%
	Japan	Apr broad liquidity**	-	3.4%
	UK	Apr public spending borrowing req	£3.1bn	£9.6bn
During the week...				
	Germany	*Mar retail sales real***	*0.0%*	*0.0%*
	Germany	Mar retail sales*†	-	-2.0%
	Germany	*Apr wholesale price indx**	*0.4%*	*0.5%*

*month on month, **year on year, †seasonally adjusted *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

No.9,067 Set by GRIFFIN



ACROSS

1 Made to go home with the Spanish guard (8)
5 Children taking credit for long speech (6)
9 Fool accepts quote caught retiring hermits (8)
10 Fetches black phones (6)
12 Way to publicise item of luggage for flight (9)
13 Not allowed a party top (5)
14 If returning to the marines for company .... (4)
16 ....swimmer in enclosure is staggering (7)
19 Always learns to go before there's gossip (7)
21 Function requiring caviar, about a pound (4)
24 Half undo one on a coupling (5)
25 Left Ivan the Terrible guarding a monster (9)
27 Back in trade without making disclaimer (6)
28 Aptly doctored cat sounds like egg-laying mammal! (8)
29 Are looking angry about being brought up (6)
30 Demoted George, now in action (8)

DOWN

1 Short of boxes by end of sale (6)
2 Aren't bothered about cold, delicious drink (6)
3 Season centre-forward leaves Bury (5)
4 Cry out, cross, in uncontrolled malice (7)
6 A minute hole in a pink material (9)
7 Mathematician that is upright, working in tens (8)
8 Remove Princess's gatekeeper's cottage (8)
11 Airmen turned key in alarm (4)
15 Suggest using top Italian tunes in a medley (9)
17 On a motorway it's hard (8)
18 And each settlement must include one ranch (8)
20 Some monkey Ellen bought's a scream (4)
21 Go round using weapon with end missing (7)
22 Formed by mum and copied (6)
23 New as a Franco-American editor! (6)
26 Performer rejected rubbish by accountant (5)

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday May 23, marked Monday Crossword 9,067 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 27. Please allow 28 days for delivery of prizes.

Name..

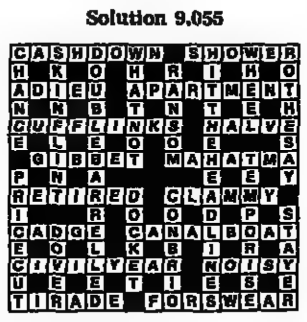
Address..

....

Winners 9,055

Mrs J. Levesley, East Grinstead, Sussex
R. Brown, London W6
Mrs M. Imber, London EC1
Mrs J.A. Raistrick, Heysham, Lancs
W. Sondheim, Baltimore, Maryland, USA
L. Vaughan, Ashton-under-Lyme, Lancs

Solution 9,055



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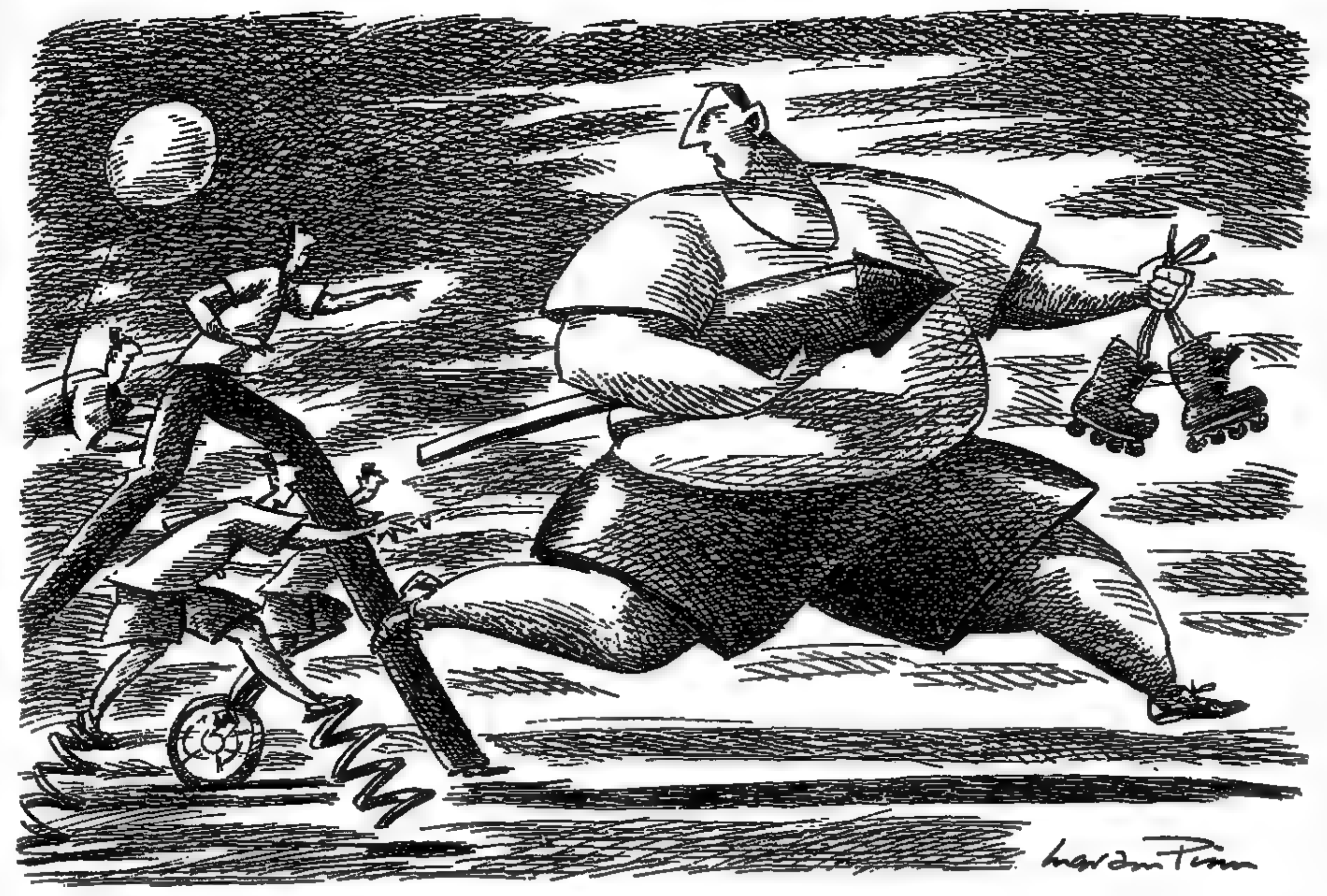
MANAGEMENT

Peter Marsh reports on what three industry leaders are doing to remain at the top amid increasing competition

One step ahead of the pack



You are a world champion sprinter and you want to stay at the top for the foreseeable future. But the rivals snapping at your heels are employing ever more skilful techniques to narrow the gap: how do you stay ahead?

This is the sort of question faced by a handful of companies, global leaders in their fields, as they try to remain number one at a time of increasing international competition, changing technologies and spiralling demands for better service and more enhanced products from consumers and industrial customers.

Three such companies, in disparate areas but facing related dilemmas, are Otis, part of the US's United Technologies group and the world's biggest elevator business; the privately-owned Danish Lego group, the largest worldwide maker of construction toys; and John Crane, part of Britain's TI engineering company and the global leader in supplying complex mechanical seals used in pumps and similar products with a vast range of applications.

All three companies are mindful of how a range of other businesses in the past – which include IBM in computers, Perkin-Elmer in chip fabrication equipment and the British company Plessey in machine tool controls – built up a commanding lead over rivals in their field only to see it whittled away by events apparently beyond their control.

"A lot of world leaders are realising they've got to re-position themselves, not because they're in crisis but because of wider changes," says Donald Marchand, professor of information management and strategy at the International Institute for Management Development (IMD) in Lausanne, Switzerland. Marchand is involved in advising about 30 such companies, including Otis, on what their responses should be.

A common thread is that Otis, Lego and John Crane are each in fairly mature industries, with few signs of large spurts in demand for their products in their main markets in Europe and the US.

Each in the past year has instituted a range of programmes aimed at speeding up their responses to market pressures, in particular trying to capitalise on increased demand from regions with fast-growing economies such as East Asia.

A common theme is their determination to capitalise on advances in information technology, either through the ability to bring out new products or add to their efforts to provide a better service. Additionally, each of the three is trying, in different ways, to hone the "think global, act local" maxim of many big companies with international businesses.

The specific challenges facing the three companies, however, are different. Otis, headquartered in Connecticut, but with its $5bn (£3.2bn) of annual revenues split between some 220 operating companies around the world each with a fair degree of autonomy, is experiencing flagging demand for its main products of lifts and escalators in the developed world, a by-product of the general slowdown in construction in the main developed countries.

It is therefore switching its resources to concentrate more on the "service" end of its business – supplying spares and updating existing equipment – as well as putting more effort into marketing and sales in regions undergoing construction booms such as southern China and the Philippines.

Lego, maker of the ubiquitous plastic bricks and miniature figures, with sales thought to be about $1.2bn, needs to respond to the rapid inroads into its markets recently by makers of electronic toys. Traditionally highly centralised at its headquarters in Billund, central Denmark, Lego is trying to push more responsibility for decisions to local managers – a process which it believes will heighten responsiveness to market trends.

Chicago-based John Crane, with annual sales of about $800m, has a style of operating some way between Otis and Lego – less centralised than Lego but more so than Otis.

With its heavily customised product range – its mechanical seals sell in approximately 750,000 different variations and fetch anything between $1 and $1m – Crane's challenge is to try to engineer a new way of developing product "families", through the use of common design elements cutting the development cycle but at the same time providing leeway for engineers to adapt basic products to specific customer needs.

At the helm of Otis is Jean-Pierre van Rooy, an ebullient multilingual Belgian who believes in the company developing a strongly international character while reflecting local characteristics and following the views of customers.

He is particularly optimistic about sales prospects in East Asia. "By 2010 China will be the biggest country [by sales] in the Otis world and in the first 50 years of next century we will have a Chinese president," he says. At present, China accounts for only a small part, about a fifth, of Otis's total Asian revenues, now about $1.5bn a year. North and South America account for some $1bn a year of business, and Europe virtually all the remaining slice of some $2.5bn annually.

Otis's approach to doing business must vary depending on the market characteristics of these different regions, van Rooy says. In the fast-growing economies of East Asia, the split of Otis's revenues is roughly 70:30 between new equipment and spares and service, reflecting the large number of buildings being erected. In Europe and North America, the split is the reverse.

The greater importance of service-linked revenues has meant Otis has to develop a new "service culture", according to van Rooy in which managers have to get closer to customers to react to their demands. They must also look out for opportunities to fit new hardware to existing lifts and escalators that will enhance performance.

Otis, Lego and John Crane are in mature industries, with few signs of spurts in demand for their products in their main markets

These ideas are enshrined in what the company calls its Service-2000 blueprint. This was formally launched last autumn. Following this up is a programme being worked out for Otis by IMD in which 120 senior managers from the company's European division (which also takes in Africa and the Middle East) are being trained in new ways to respond to customers.

In development terms, Otis is also putting greater accent on new computer techniques – such as remote monitoring of elevators for faults using a combination of radio waves and electronics sensing – by which it reckons its products in the next century can be differentiated from competitors.

In the European division, the ideas about getting close to customers are being rammed home through two-day training packages which some 15,000 Otis employees (out of a total of 26,000 in the division) are going through in the next year or so and which draw on lessons from the IMD programme.

While van Rooy first sketched out the main elements of his Service-2000 blueprint during a vacation on the French Riviera in 1994, the ideas behind the new management programme at Lego came to Kjeld Kirk Kristiansen during a long illness in 1993 and 1994, from which he is said to have made a full recovery. Kristiansen, a quietly spoken, intensely private Dane is president of the company and grandson of its founder.

"In the 1980s and early 1990s, we had in a way been too successful," he says. "We were being driven too much by the past, and not concerned enough with the future. I realised we had to become less structured in what we do and react more quickly to external events."

Kristiansen's plans are contained in a project he calls Compass – signifying a clear direction. Under this the company's top 300 managers – half of whom are outside Denmark – cut down on formal meetings and spend more time "coaching their employees and getting them to develop their skills rather than trying to control them".

A central element is that managers in key countries such as Japan, the US, Germany and Britain, are given much more autonomy over decisions related to mix of products (such as the different Lego kits featuring figures like Pirates or Black Knights) which they will push towards retailers, and also over questions such as the type of packaging which they think will do best in specific markets.

Lego is also honing its product development plans, as a result of which about a third of its 300 or so product types are changed every year, to speed up the development cycle. It is bringing in to these conversations much earlier than in the past marketing people from different parts of the world. Up until a year or so ago, most decisions over new products were taken almost exclusively by headquarters staff in Billund.

The company, via product development groups in Denmark, the US and Japan, is also planning to use the Lego brand in a new series of interactive computer systems (one of which it is developing in collaboration with Mindscape, the Californian software developer owned by Pearson, publisher of the Financial Times), in an effort to hit back at companies such as Sony, Nintendo and Microsoft which have through their own products been eating into Lego's revenues.

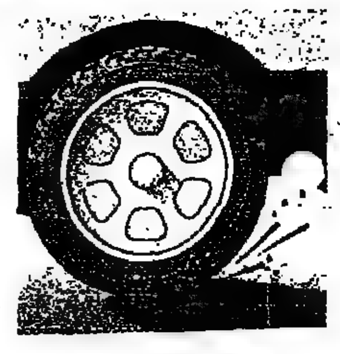
By contrast with Kristiansen, John Potter, the chief executive at John Crane, is a no-nonsense British manager keen on cementing links between marketing people and engineers. He carries around with him a file marked "Philosophy" which sets out ways to bring this about, for example through interdisciplinary product development committees.

At John Crane, interest in information technology has culminated in a grandiose scheme to link the company's sales centres in 50 countries via satellite, so that customer requests (for specific assemblies of parts) can be met more readily from the company's two main factories, in Chicago, and in Slough, UK. According to Potter, such communications links are vital if John Crane is to make progress in meeting demands from customers for replacement parts – which account for two thirds of its business – as quickly as possible.

Another big effort has been to establish a worldwide system of product development to get ideas more quickly into the market. A "new product" committee of 10 senior people from around the world, drawn from divisions of the company covering sales, engineering, finance and marketing, meets under Potter's supervision every three months to review new ideas for new "families" of seals – which use, for instance, a new material or radically different design.

The good ideas get pushed immediately into a crash development programme – stewarded by a "product champion" who is appointed for that particular scheme. As a result, Potter reckons new ideas are getting pushed to the marketplace in less than two years, compared with roughly seven years at the beginning of the decade.

While John Crane's culture is rooted firmly in the engineering tradition, before setting up its new development system the company talked in detail to companies in non-engineering fields including 3M, Procter & Gamble and Coca-Cola about how they managed the product development process. Flexibility of mind will be increasingly important according to Potter. "The product champions are a case in point. We have six of them at present and their numbers will grow. They will be people able to shift focus fairly quickly, reporting to the marketing side of the company but being able to pick up influences from a lot of different directions."



FAST TRACK

Alfa Chemicals Italiana

The anti-inflammatory drug naproxen is widely used as a painkiller. It is doing Alfa Chemicals Italiana a lot of good, too.

Alfa used to be just one of many Italian bulk pharmaceuticals manufacturers that proliferated in the 1970s when Italy was not a signatory to patent laws. The country provides about 70 per cent of the pharmaceuticals used to make US generic drugs.

Alfa's transformation into a leading independent supplier of active medical ingredients began in 1992 with a management buy-in by Italian chemicals engineer Pietro Stefanutti and two partners. Stefanutti, who had been looking for a career change from his job with Exxon, had created two holding companies – one of which was Pharmaceutical Fine Chemicals. Through PFC he acquired Alfa, then the chemicals division of the Schiapparelli group.

"We had to explain to the workforce where we wanted to take the company and that it was now a core business," says Stefanutti. A turnover of L28bn (£12m) CHECK in 1992 became L78bn in 1995, of which L15bn was added by an acquisition. A L4bn after-tax loss became a L6bn profit.

"Generic drugs are a tremendous growth sector as products come off-patent, translating into lower cost of medical treatment," says Stefanutti. "The trick is to identify products that will make good generics five years before a patent expires and then to come up with competitive processing technology and meet the regulatory requirements."

The patent for naproxen, originated by Syntex, lapsed in 1993. The world's six leading manufacturers – with PFC in second place – produce about 2,000 metric tonnes a year and Stefanutti estimates annual market growth for naproxen of up to 7 per cent. He projects, however, 15 per cent annual growth in sales at PFC, without acquisitions, on the back of high-quality technology and sales to countries where growth in naproxen consumption is higher than the average.

Stefanutti says he was attracted by the challenge posed by complex regulations which involve both his client companies and the US Food and Drug Administration – the North American market consumes two-thirds of naproxen output. He accepts that barriers to success involve regulatory and patent issues and believes Alfa has gone a long way towards resolving them through its recent purchase of a naproxen plant in the Bahamas from Syntex-Hoffman La Roche for $80m (£53m).

Besides enhancing Alfa's presence in North America, the Bahamas base mitigates the impact of European supplementary patent certificate rules which prevent development work on a product before it comes off-patent. This saves valuable time in bringing a generic to market.

Since 1994 Alfa has had risk capital from the Italian branch of 3i, the UK investment bank. By investing L11bn in the Bahamas deal, 3i lifted its stake in PFC to 45 per cent.

John Simkins

I'll clear my desk (when I have time)

Lucy Kellaway

Friday, just in case you missed it, was International Clear your Desk! Day. I know this because one of the world's leading experts in tidy desks sent me a press release warning me of the event. This contained the usual mixture of exhortations and populist statistics: if we all threw away the junk on our desks there would be enough rubbish to go around the M25 twice.

It went on to warn that underneath the piles of paper are missed opportunities – connections not made, reports not read and letters not replied to. And as for the state of the nation's filing cabinets – apparently 85 per cent of the stuff stored is never seen again, and 45 per cent is also stored somewhere nearby.

"Someone's trying to tell you something," said our secretary as she handed me the release. She looked at my desk with its familiar piles of old FTs that have gone beige with age, tottering towers of unread (and unreadable) management books, magazines, old press releases, tea bags, dirty cups, biscuit wrappers as well as a toy iron.

For a minute I felt guilty and thought that I really should clear it up. But I did nothing. Partly it was because tidying is boring and I haven't got the time. But the main reason that I let International Clear Your Desk! Day pass me by is that I don't believe it makes much difference whether your desk is clear or not. I organise myself in my own way, and most of the time my system works fairly well. I know (roughly) what I've got on my desk and (roughly) where it is.

I have just done a survey of my colleagues and concluded that there is no relationship between performance and state of the desk. The sample range was pretty wide: at one extreme was a desk so manically tidy that it was a fashion statement – all bare save a vase of white tulips.

The neighbouring desk, at the other extreme, was so untidy that most of his piles had collapsed on to the floor; a dead spider plant and a wine glass full of dust were adrift on a sea of paper. Yet both occupants are hardworking journalists who miss neither appointments nor opportunities. Admittedly one colleague spends a lot of time rummaging though the piles looking for things, although possibly no more than the other spends time at the filing cabinet and at the florist.

But even if it could be shown that the messy desk interfered with one's ability to do the job, messiness is surely in the genes, and it would take a lot more than International Tidy Your Desk! Day to make any difference.

This doesn't mean that we should be allowed to be as untidy as we wish. According to the press release, clear desks are not about cleanliness, but about decision making. Not only do I disagree with the last bit, I disagree with the first bit, too. My desk is an eyesore, a fire risk and a health hazard. So, in the interests of cleanliness, I am going to tidy it up. Next week. When I have time.

I have discovered evidence of a new form of discrimination at work. It is sportism, and it is rampant. According to a survey by Company Barclaycard, 49 per cent of managers favour job candidates who take part in active sport, while a mere quarter believe that the sporting activities of prospective employees are not relevant at all.

If I were the manager of a football team, I daresay I would take a player's ability at sport into account before signing him. But were I hiring someone to do my filing (for the purpose of argument) a candidate's prowess on the sporting field would be as immaterial as their sex, age, sexual orientation or race. While most managers are aware that they should not discriminate on the latter grounds, they are proud to do so on the former. They justify their preference for jocks by claiming that they are better at working in teams, they want to win, are self-disciplined and have better social skills.

As a non-sporting person myself I find this not only offensive but deeply upsetting. Haven't we been discriminated against enough already? At school not only did we suffer by always being the last to be chosen for the rounders team, but were excluded from social groups because we could neither hit nor catch a ball. But in those days there was the comfort that as soon as you left school, sport would not matter any more. Grown-ups, so we believed, only cared about your intelligence, your ability to work, your personality. Sport simply didn't come into it.

Even the argument that people who play sport are healthier and therefore off sick less won't really wash. Possibly it applies to people who take a modicum of gentle exercise, but it does not apply to those who play team games of the sort which allegedly make employees so desirable.

If you play a lot of competitive games you get injured – and are just as likely to be off work because you have done your back in playing cricket than because you have spent too many sedentary hours in a badly designed chair.

Public-service employees are now acquiring the skills of their commercial counterparts, says **Della Bradshaw**

Back to school for civil servants

In July, yet another group of civil servants will visit run-down areas in Deptford in south-east London. But they will not be the usual collection of housing or benefit officials. This group will be students on the public-sector master of business administration (MBA) course who have opted to take a social policy unit on urban regeneration.

Their particular focus will be on how such projects can be effectively managed.

Some 40 of Britain's high-flying civil servants, from departments as diverse as the Scottish Office and the Ministry of Defence, are studying for either the one-year full-time or for the equivalent part-time public-sector MBA. The course has been specifically developed to reflect the changing focus in the civil service intended to replace the image of bowler-hatted, tea-drinking pen-pushers with that of an efficient workforce with up-to-date management skills.

The courses are being run by Imperial College, in London, and a consortium of Cranfield University, Manchester Business School and the Civil Service College, which has developed the Deptford social policy "elective".

Though specific elective courses have been developed for public-sector students, the bulk of the taught courses are taken alongside students on the general MBA course.

"It's an MBA like any other, with a civil service specialisation," says Sue Birley, director of research at Cranfield.

One of the cabinet prerequisites for the course was that public-sector employees should mix with their peers in commerce. "The most important asset has been the other students," confirms Ross Newby, one of two students funded by the Treasury to study for the MBA, in his case the full-time course at Cranfield.

Much of the course material is applicable to both the public- and private-sector students, believes Newby. "It's not really possible to say this bit of it is particularly relevant. It's all broadly relevant."

While some students find the switch from deskwork to coursework difficult, Newby believes the course content is not too taxing. What he does find stimulating, he says, is deciding how to translate the core elements of the MBA – marketing, say – to the needs of the public sector. "One of the most interesting things has been to think through and translate those ideas for a not-for-profit organisation. For example, are we looking for an organisation which is about reducing costs or one which is innovative?"

The contract for the public-sector MBA courses has been awarded for just three years, with a maximum of 180 students graduating at the end of the process – just a fraction of the 500,000, or so, civil servants working in the UK. Participating business schools are clearly hoping the contracts will be renewed.

But whatever happens, says Birley, the public-service electives will remain a part of the MBA programme, as 20 per cent of the students on the courses already work in the public sector, either in the UK or overseas.

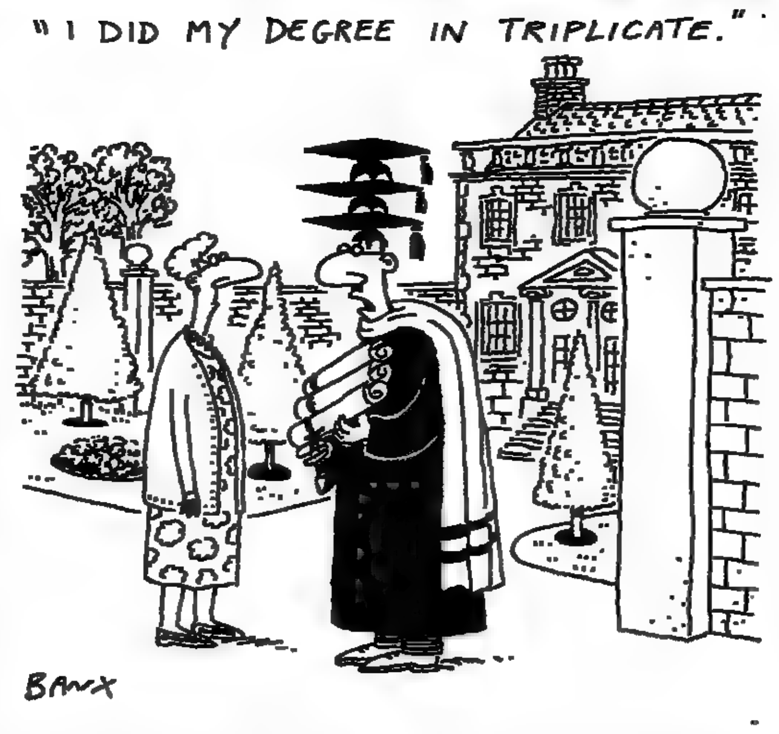
Glynn Llewellyn, director of specialist development at the Civil Service College, traditionally the training ground for civil servants, is more positive. "The thing I find fascinating is that we're trying to build a long-term relationship between the business schools and the public sector," he says. "Business schools have something we want. I see it as part of my job to try to convey this to Cranfield and Manchester."

For the business schools the pay-off could be more than just the fees for a few UK civil servants. With the specialist courses for the public sector being continually updated, civil servants from overseas, who face similar problems to those of their UK counterparts, could soon be queueing up.

With the first group of MBA students graduating in September the sponsoring government departments will soon have to face a concern well-known to the private sector: how to re-integrate the students back into the organisation. Newby believes it would be a great pity if he had to return to his old job after all the investment has been made.

Birley agrees. "It is important to recognise that these people have skills they didn't have before."

"I DID MY DEGREE IN TRIPLICATE."



NEWS FROM CAMPUS

More women needed on European courses

To encourage more women to study for an MBA the International Institute for Management Development (IMD), in Lausanne, and food company Nestlé have introduced a scholarship for women who want to study for a master of business administration degree. The SFr 20,000 (£10,689) scholarship is to encourage women to take on the 11-month IMD programme.

While the number of women in management continues to rise, the number studying for higher degrees remains flat, especially in Europe, where only 15 to 30 per cent of students on MBA courses are female.

IMD: Switzerland, 21 618 0298.

New jobs for UK academics

The Open University Business School has appointed its first professor of human resource management. John Storey, formerly of Loughborough and Warwick Universities, will develop the human resource management aspects of the OUBS courses and provide consultancy.

OUBS: UK, (0)1908 655888.

■ Warwick Business School's Robert Craven has joined a Westminster think tank – Networking in Industry – peopled by politicians, industrialists and academics. Craven is director of business growth and management development programmes at Warwick's centre for small- and medium-sized enterprises.

Warwick Business School: UK, (0)1203 523741.

Crunch time on Broadway

More than 400 alumni, corporate leaders and students of Donald Jacobs, dean of the Kellogg graduate school of management at Northwestern University, will gather in New York on Friday to celebrate 20 years in the job for America's longest-serving dean.

Entertainment will include music from two college bands, the "Kelloggarhythms" and the "Bottom Line", not to mention a variety show, "Special K on Broadway".

Alumni have raised nearly $2m (£1.3m) for an endowed chair in Jacobs' honour.

Kellogg: US, 847 869 7983.

Press pack scents profit in game of two halves

Keith Wheatley on plans for UK sports-only publications

Many countries have successful newspapers devoted entirely to sport, but Britain has never been one of them. The consensus – somewhat self-serving – among newspaper executives has been that the strength and circulation of the UK's national press gave the fans all the sport they wanted or needed on the back pages of national newspapers.

But the cosy assumption that a national sports title would not "work" is about to be challenged, and may have to be abandoned. The next few months will see several titles launched in an attempt to start a new ballgame. First off the blocks, next month, will be Sport First (as in: "Which bit of the paper do you read first?"), edited by veteran sports journalist Bob Harris.

Harris had been executive sports editor of the Sunday Mirror after a spell with Eddy Shah's mould-breaking Today, but was put out to grass as "too old" at 50. "It's going to be football-led," says Harris of Sport First, "but we'll be heavily involved with the Olympics and with Wimbledon."

Keith Young is the publisher behind Sport First. His company, Parliamentary *Communications, has titles varying from The House Magazine* (behind the scenes at the Palace of Westminster) to the Church of England's weekly newspaper. He describes the £3m ($4.5m) launch fund for Sport First as a mixture of privately placed City of London finance and his own money.

"If the idea works we've got adequate funds. If it doesn't, then £10m wouldn't be enough," says Young, adding, tongue in cheek, that his main motivation comes from being an Everton supporter who lives in the south of England and cannot get enough news of his team.

In fact, the ambitions of Sport First are modest. It aims to be a "second paper" and needs a total sale of only 100,000 to be in the money. It will have a broadsheet format to avoid the appearance of tackling the aggressive tabloids head-on.

Young says that stealing readers off the tabloids is not the name of his game. "If I can't produce a sports paper that sells a combined 100,000 copies in cities like Newcastle, Glasgow, Sheffield, Birmingham, Manchester and Liverpool, then I'm not very good at my job," he says. He knows provincial sport intimately after 25 years with Thompson Regional Newspapers.

He believes fervently that Britain is undergoing a cultural revolution, with football becoming a passion that crosses lines of class, gender and age in the way it does in Italy. "In the City it's now acceptable to say that you watch football and follow a team. It may be coincidence, but [former prime minister] Margaret Thatcher could never understand what all *the fuss was about, whereas John Major* is a sports nut," says Harris.

He may be right. But another view says this is a cyclical process that happens every 25 years or so – *football as fashion, not passion*. In the late 1960s, football was an aspect of swinging Britain. George Best of Manchester United and his immediate contemporaries were the first players to be part of show business. The stands at Chelsea and Manchester United were full of beautiful people watching the beautiful game.

Within a decade it was gone – wrecked by rapacious managers, boring teams and, above all, trainfuls of drunken louts armed with enough aimless aggression to fill a Martin Amis novel. Will it really be different this time? In London, the metropolitan police are privately dubious. They have been discreetly briefing those who need to know about their considerable plans to deal with massive outbreaks of hooliganism during Euro 96: *the finals of the European* football championship, which England is staging from June 8 to 30 – its biggest sports fiesta for 30 years.

One man who believes that the surge in interest in football is not at all faddish is Chris Nawrat, another would-be publisher whose project is based entirely on the belief that football has become the focal point of many British lives. Nawrat is a former Sunday Times sports editor, a man who lives for football and who plans to launch Soccer on Sunday at the start of next season.

Nawrat was once my boss. We got along more because of a shared interest in American *literature than because of any agreement* over the possible content of the sports pages. He was unflinching in his belief that readers wanted ever more football.

"It's nonsense to suggest that there is any such thing as a British sports fan who wants a little bit of everything every week. In reality, the only interest in tennis is during Wimbledon; in rowing at the [Oxford-Cambridge] Boat Race; boxing when Bruno fights," argues Nawrat. "Yet the papers clog up their pages with this stuff because they think they have to cover the 'big picture'. The No 1 sport in Britain is football. The No 2 sport in Britain is football. The No 3 sport in . . . I could go on."

If it gets off the ground, Soccer on Sunday's editorial mission will be to report every league match in Britain. Each Premiership club will have an assigned correspondent. A big match might warrant four, six or even eight pages of coverage. If this sounds preposterously ambitious to British readers, who long ago resigned themselves to the death of their sporting Pink 'Uns, nothing Nawrat proposes would seem that fanciful to an Italian or Spanish soccer fan.

Italy's La Gazetta della Sport has small bands of journalists who will devote entire careers to covering – *say* – Juventus. They start by covering reserve teams, and after a working lifetime qualify to interview the manager. Not a ball is kicked in Serie A without Gazetta devoting a couple of broadsheet pages to it. In Spain, the country's biggest selling newspaper is Marca (To Score), a football-driven sports daily.

In Spain, football is treated with an intensity that goes beyond mere match reporting. In one 21-day period over Christmas and New Year recently there was not a single league game in Spain. Marca still *managed to lead the front page* with a football story on each of those days.

Nawrat is talking, with some success, to venture capitalists who, increasingly, follow football themselves. "They know that it's more acceptable, more sexy than it's ever been before," he says. "Melvyn Bragg [the British novelist and broadcaster] recently wrote that football unites the nation in a way that nothing else does. Five years ago it would have been inconceivable for someone of his cultural influence to have said that."

Fans at Saturday's FA Cup final in London: will their ardour fade?

William Morris, utopia's factotum

Categorising the designer, even a century after his death, is impossible, writes **Colin Amery**

This is the year of William Morris. One hundred years after his death, the anniversary is marked by an important exhibition at the Victoria & Albert museum in London which runs *until September. My colleague* William Packer has reviewed the exhibition, considering Morris as artist and designer. But it is impossible to categorise Morris. Indeed, architecture was fundamental to a man now remembered more for the rural density of the patterns on his textiles than for his concern for buildings. However, the exhibition tries to show the unity of Morris's ideals. He wanted the arts and architecture to work together to create an earthly paradise.

Running parallel to the Morris exhibition is a display in the museum's *Henry Cole* wing of "Arts and Crafts Architecture". This explores the development of domestic architecture from the 1850s and attempts to discover how other designers had absorbed Morris's ideas. Most visitors will be so well nourished by the Morris show that the mere thought of another helping of arts and crafts may be too much.

That would be a shame, as architecture does not get enough attention in the main show. Architecture has to fight for space alongside textiles, furniture, ceramics, wallpapers, linoleum, stained glass, carpets, tapestries, embroideries, printed books, *calligraphy and* Morris's work as a fervent socialist committed to creating utopia.

Morris was 22 when he signed his articles as an apprentice to George Edmund Street, the leading Gothic architect, in Oxford. He stayed only a year, but learned from this taciturn designer the importance of materials and also watched how Street incorporated all the crafts and was able to achieve powerful architectural effects from a wide range of materials. Street was the father figure of the arts and crafts movement: Morris met his greatest friend, Philip Webb, in Street's office.

But there was an important difference between Morris and Street. Street was a restorer of old buildings while Morris had a horror of restoration which was to inform his approach to architecture and inspire him to create the Society for the Protection of Ancient Buildings. In 1877, Morris acted on Ruskin's idea for a national society to campaign and train architects to appreciate the need to care for buildings of the past without altering them. Their manifesto still applies: "Take proper care of your monuments and you will not need to restore them. Watch an old building with anxious care; count its stones as you would jewels of a crown – better a crutch than a lost limb, do this tenderly, reverently and continually and many a generation will still be born to pass away beneath its shadow."

Not for nothing was the new society known as "anti-scrape". It campaigned for the retention of the patina of the ages while encouraging the best of the new to be built alongside the old. The campaign was given urgency by the rampant advance of the Gothic Revival upon the medieval churches and cathedrals of Britain, with George Gilbert Scott as leader. The threats to Canterbury Cathedral prompted Morris to write to The Times complaining that Scott would leave behind the "usual mass of ecclesiastical trumpery and coarse daubing".

Morris was not a sentimentalist. His message about old buildings has often been misunderstood. He did not want feeble copies of past styles – he felt the pure conservation of the best of the past would encourage modernity. His approach was creative. He would have hated the ghastly neo-Geogians at work today, timidly afraid of the real possibilities of contemporary architecture. His view of some Victorian *pseudo-Gothic carvings in a newly* restored church was forthright: "Why, I could carve them better with my teeth".

Morris saw, too, that landscape and buildings cannot be separated. He was involved in the formation of the Commons Preservation Society and the Kyrle Society, where he campaigned against environmental damage, ugliness and urban squalor. He would have been part of the protest groups trying to stop nuclear waste in Germany or the Newbury by-pass in England.

He managed to marry the ideas of socialism as a valid criticism of political economy with an artist's vision of romantic anti-industrialism. His centenary prompts the thought that his intense creativity *and vision are as valid now* as when he died.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National Treasury 6¼% Gtd Bd 2003 $65.0
Akzo Nobel FL5.50
Barclays 9⅞% Und Sb Nts £98.75
British Vita 4p
CU Environmental Tst 0.5p
Clyde Petroleum 0.75p
Coles Myer A$0.12
Flash Ser ETA Sec FRN 1997 Y219533.0
Furlong Homes 1.3p
GN Great Nordic DKr12.0
Gowrings 1.75p
Hazama 5½% Bd 1999 Y560000.0
Housing Fin 8⅝% Db 2023 £4.3125
Inspec 4p
JIB 5p
Mazda FRN 2000 Y22578.0
Meltek 1.32p
More O'Ferrall 10.6p
Nippon Express 6% Bd 1999 Y600000.0
Prudential Fdg 9⅛% Nts May 1997 C$91.25
Radius 0.9p
Scholl 4.2p
Sleepy Kids 0.1p
Sumitomo Realty & Dev 4.95% Nts 1998 Y495000.0
Takashimaya 6.3% Bd 1999 Y630000.0
Tokyo Elec Power 7⅛% Nts 1998 £71.25
Utd Plantations Africa R0.20

■ TOMORROW
Avonmore Foods A IR2.35p
Cie Bancaire FFR15.0
Glenchewton 0.5p
Groupe Chez Gerard 0.9p
Heath 3.3p
HTR Inc & Growth Split Tst 1.5p
Marsh & McLennan $0.80
MTL Instruments 2.8p
National & Provincial Bldg Scty 10% Nts 1997 £1000.0
Nelson Hurst 5.2p
Paribas French Inv Tst 1p
Scottish Eastern Inv Tst 1.18p
Thorpe (FW) 1.33p
Wolstenholme Rink 15p

■ WEDNESDAY MAY 15
Abbott Labs $0.24
Alliance Tst 4½% Db £2.25
Avon $0.38
Barclays 16% Un Ln 2002/07 £8.0
Birmingham 11½% Rd 2012 £5.75
Burndene Invs 15% Un Ln 2007/12 £7.50
Chieftain 0.5p
City Mortgage Receivables Mtg Bckd FRN Feb 2023 Ser 1996-1 £51.25
Colgate-Palmolive $0.47
Commonwealth Bank of Australia 9¾% Nts 1996 A$97.50
Conversion 9¾% 2006 £4.875
Conversion 10% 1996 £5.0
Eurovein 1p
Exchequer 13¼% Ln 1996 £6.625
Export-Import Bank of Japan 10¾% Gtd Bd 2001 £107.50
F & C Smaller Co's 6% Cm Pf £2.10
Forth Ports 3¾% Fd Debt £1.875
GESB 8.35% Gtd Scd Bd 2018 £41.75
Glasgow 3½% Ird £1.75
Do Gas 6¾% Ann £3.375
Do Gas 9% Ann £4.50
Do Water Ann 50p
Do Waterworks Fd Debt 3½% £1.75
Do Waterworks Fd Debt 4% £2.0
Hambros Inv Tst 5% Cm Pf 1.75p
Inter-American Dev Bank 9¾% Ln 2015 £4.875
Investors Capital Tst 4% Db Rd £2.0
Johnston Press 1.5p
Manchester United 1.8p
Morrison (Wm) 1.125p
Norsk Hydro NKr6.0
Ottawa-Carleton 9⅜% Db May 1998 C$93.75
Do 9⅝% Db May 2006 C$96.25
Prospect 2 Class A Nts 2005 £1573.77
Do Class B 2007 £1635.25
Do Class C Asset Bckd Certs 2010 £829.92
Quarto 5.25p
Rea Bros 0.5p
Russell (Alex) 1.6p
SIG 4.4p
Sanwa Bank Canada Gtd Fxd/FRN 2005 $1437.50
Sanwa Fin Aruba Gtd Step-up FRN Nov 2004 $1516.67
Scottish American Inv 4% Irrd Db £2.0
Scottish Eastern Inv Tst 4% Db £2.0
Do 4% Perp Db £2.0
Scottish Mortgage & Tst 4½% Irrd Db £2.25
Second Alliance Tst 4½% Db £2.25
Sonar 1 Class A Mtg Bckd FRN 2021 £143.51
Do Class B £181.87
Do Class C £202.87
Standard Chartered Und Prim Cap FRN (Ser 3) $305.33

■ THURSDAY MAY 16
American Port Services 0.6p
Candover Invs 6.75p
CrestaCare 0.59p
Euro-Vip Sec Var Rate Nts 2030 Ser B $34630.56
Jacobs 0.9375p
Japan Dev Bank 10% Gtd Nts 1996 $500.0
Lambert Howarth 4.65p
Macallan-Glenlivet 0.985p
Maxwell Oils & Res 50.20
Mirror 2.8p
Nat West Bank Var Rate Cap Nts 2008 $142.50
Premier Oil 0.5p
Premium Tst 1.5p
Schroder Mediterranean Fd 1.6p
Skopbank Ser B Und Var Rate Nts $153.13

■ FRIDAY MAY 17
Burn Stewart Distillers 1.7p
Citicorp $0.45
Commercial Union 17.55p
Dinkie Heel 1p
Drive Sec Class A FRN 1996 £165.05
Do Mezzanine FRN 1996 £184.92
EBC 1.25p
Electricite de France 11¾% Gtd Serial Ln 2009-12 £293.75
Evans Halshaw 11p
FBD IR3.773p
GKN 15.25p
Guinness Peat 0.2p
HSBC Sb Cltrd FRN 2008 $27.81
Hodder Headline 4.5p
Kleinwort Smaller Co's Inv Tst 2p
Lloyd Thompson 3p
Mayflower 1.33p
Nat West Bank Jnr Gtd FRN $154.83
Northchart Invs Z$0.30
Paton 3.5p
Refuge 9.35p
Rosebys 4p
Servomex 5.2p
Toyobo FRN Feb 1998 Y23145.0
UDO 2.75p
United Carriers 1.6p
Wassall 3.95p
Wetherspoon (JD) 3.1p
Whatman 7.8p
Woodchester Invs IR4.08p
World of Leather 0.85p

■ SATURDAY MAY 18
Rentokil 2.97p
Treasury 10% 2004 £5.0

■ SUNDAY MAY 19
Exchequer 9% 2002 £4.50
Treasury 10½% 1999 £5.25

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Candover Invs, Howard Hotel, Temple Place, W.C., 11.30
IMI, Metropole Hotel, NEC, Birmingham, 12.00
Ladbroke, Hilton Hotel, 22, Park Lane, W., 11.00
Merchants Tst, 20, Fenchurch Street, E.C., 12.30
Paribas French Inv Tst, 33, Wigmore Street, W., 11.00
Porter Chadburn, 41, Tower Hill, E.C., 10.00
Scottish Eastern Inv Tst, Saltire Court, 20, Castle Terrace, Edinburgh, 12.00
BOARD MEETINGS:
Finals:
Anglo Pacific Res
Foreign & Colonial Eurotrust
Interims:
Fenner
Kunick

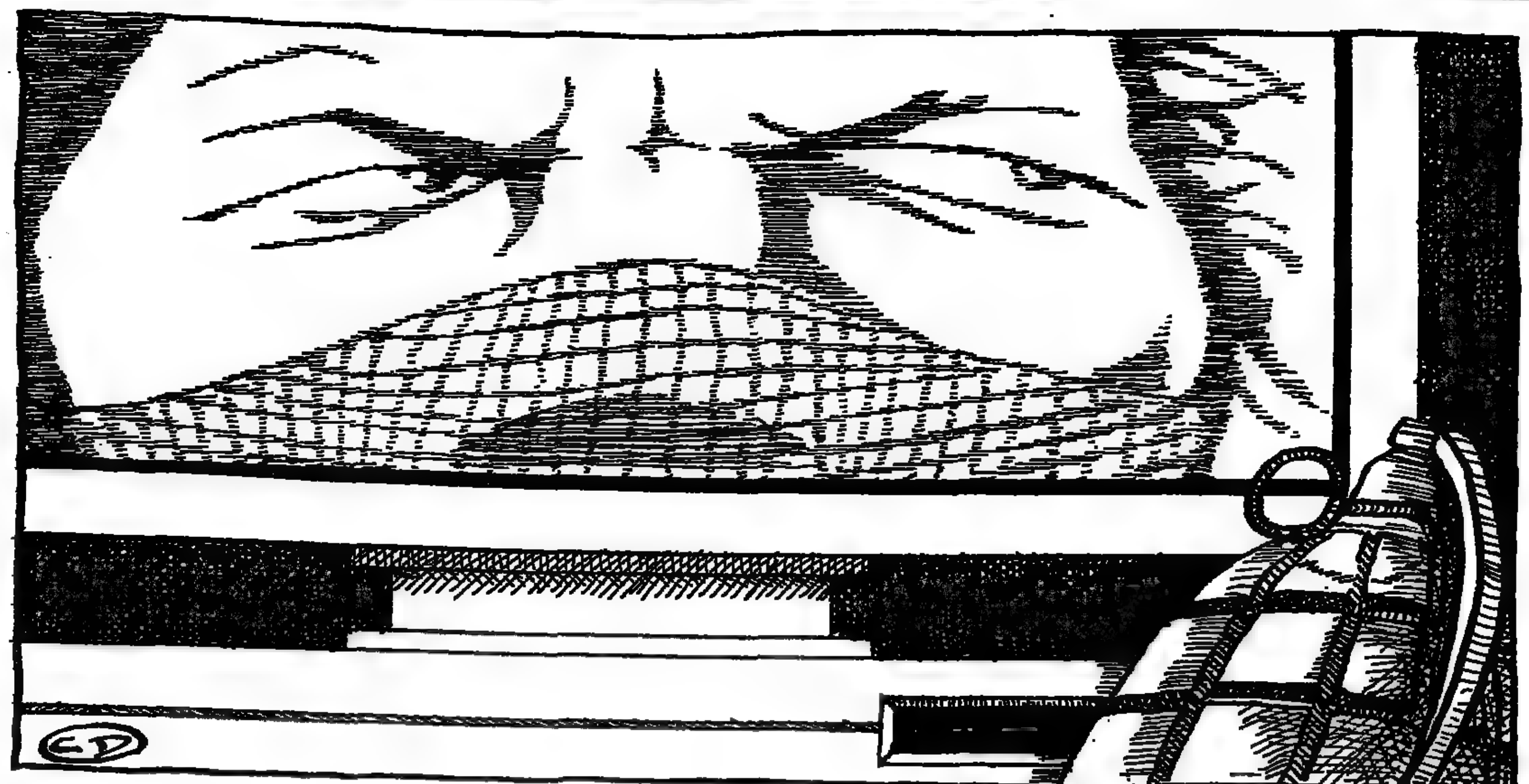
■ TOMORROW
COMPANY MEETINGS:
Arlen, Exchange House, Primrose Street, E.C., 12.00
Caradon, Plaisterers Hall, 1, London Wall, E.C., 12.00
Coats Viyella, Four Seasons Hotel, Hamilton Place, Park Lane, W., 2.30
Five Arrows Chile Inv Tst, Five Arrows House, St. Swithins Lane, E.C., 11.00
Glenchewton, Tallow Chandlers Hall, 4, Dowgate Hill, E.C., 11.45
Goldsmiths, 4, Broadgate, E.C., 12.00
Haden MacLellan, Great Fosters, Stroude Road, Egham, Surrey, 12.00
ISA Int, 14, Eldon Place, Manningham, Bradford, 10.00
Marley, Stag Theatre, Sevenoaks, Kent, 12.00
Metsec, Apollo Hotel, Hagley Road, Birmingham, 11.00
Morrison (Wm) Supermarkets, Jarvis Bankfield Hotel, Bradford Road, Bingley, 11.00
Roxboro, Post House, 2, Cornwall Street, Birmingham, 12.00
TT, Ironmongers Hall, Barbican, E.C., 12.00
UK Safety, Lodge Road, Kingswood, Bristol, 2.00
United News & Media, Stationers Hall, Ave Maria Lane, E.C., 11.00
Wace, St. Matthews House, Shepherdess Walk, N., 10.00
Wolstenholme Rink, Last Drop Hotel, Bromley Cross, Bolton, 12.00
BOARD MEETINGS:
Finals:
British & American Inv Tst
Edinburgh Inv Tst
Invesco Blue Chip
Westbury
Interims:
Allied Domecq
BOC
Diploma
Gartmore European Inv Tst
Jupiter European Inv Tst
Scottish Value Tst
UPF

■ WEDNESDAY MAY 15
COMPANY MEETINGS:
Acorn Computer, St. Johns College, St. Johns Street, Cambridge, 11.00
Arjo Wiggins Appleton, Savoy Hotel, Strand, W.C., 12.00
Asda Property, Royal Society of Medicine, 1, Wimpole Styreet, W., 10.30
Blenheim, Dorchester Hotel, Park Lane, W., 9.00
IBC, Cafe Royal, 68, Regent Street, W., 12.00
Independent Insurance, 2, Minster Court, Mincing Lane, E.C., 12.00
Kleinwort Smaller Co's Inv Tst, 10, Fenchurch Street, E.C., 12.30
Nichols (JN)(Vimto), Ledson Road, Wythenshawe, Manchester, 11.00
Page (Michael), 39-41, Parker Street, W.C., 12.00
Reckitt & Colman, New Connaught Rooms, Great Queen Street, W.C., 11.15
Russell (Alexander), Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
Shell, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.30
TI, Glaziers Hall, 9, Montague Close, London Bridge, S.E., 12.00
Thompson Clive Invs, Royal Automobile Club, 89, Pall Mall, S.W., 12.00
World of Leather, North Circular Road, N.W., 12.00
BOARD MEETINGS:
Finals:
Appleby Westward
Argyll
Bank of Ireland
Interims:
Century Inns
Charles Sidney
Chemex Int
Greenalls
Richards
Shaftesbury

■ THURSDAY MAY 16
COMPANY MEETINGS:
Ash & Lacy, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 10.30
Astec (BSR), Skinners Hall, 8½, Dowgate Hill, E.C., 11.00
Bailey (Ben) Construction, Elizabeth House, Cliff Street, Mexborough, 12.00
Barlows, Chester Grosvenor Hotel, Chester, 12.00
Baronsmead Inv Tst, Clerkenwell House, 67, Clerkenwell Road, E.C., 3.00
Britannia, Staverton Technology Park, Gloucester Road, Staverton, Cheltenham, 10.00
BTR, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W. 11.30
CLS, 6, Spring Gardens, Citadel Place, Tinworth Street, S.E., 5.00
Canning (W), School of Jewellery, Vittoria Street, Birmingham, 12.00
Enterprise Oil, Glaziers Hall, 9, Montague Close, London Bridge, S.E., 12.00
GKN, Royal Lancaster Hotel, Lancaster Terrace, W., 11.00
Glaxo Wellcome, Hilton Hotel, Park Lane, W., 2.00
Iceland, Second Avenue, Deeside Industrial Park, Deeside, Clwyd, 10.00
Laing (John), Dacorum District Council Pavilion, Hemel Hempstead, Herts., 2.15
Legal & General, Barbican Centre, Barbican, E.C., 11.30
Nottingham, Cumberland House, 35, Park Row, Nottingham, 10.30
Rathbone Brothers, Rubens Hotel, Buckingham Palace Road, S.W., 2.30
Sharpe & Fisher, Pittville Pump Room, Evesham Road, Cheltenham, 12.00
Speciality Shops, Hyde Park Hotel, 66, Knightsbridge, S.W., 12.30
Wembley, Wembley Conference Centre, Wembley, 12.00
BOARD MEETINGS:
Finals:
British Telecom
City of Oxford Inv Tst
Fine Art Developments
Greenways
Greycoat
Time Products
Interims:
Alvis
Compass
Concentric
Grand Metropolitan
Hanson
Overseas Inv Tst
Scottish Radio

■ FRIDAY MAY 17
COMPANY MEETINGS:
Burmah Castrol, Balmoral Hotel, Princes Street, Edinburgh, 11.30
Caldwell Invs, Yorkshire House, Greek Street, Leeds, 10.00
Caverdale, Redfern House, 105, Ashley Road, St. Albans, 11.00
Dawsongroup, 135, Bishopsgate, E.C., 12.00
Dinkie Heel, Forte Crest Hotel, Filton Road, Hambrook, Bristol, 12.00
Edinburgh Fund Managers, Donaldson House, 97, Haymarket Terrace, Edinburgh, 12.15
Forward Technology, Barnards Hall, Holborn, E.C., 12.00
Newman Tonks, Metropole Hotel, NEC, Birmingham, 12.00
Next, New Connaught Rooms, Great Queen Street, W.C., 10.45
P & O, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.00
Pittencrieff, 7, Drumsheugh Gardens, Edinburgh, 12.15
Rentokil, Plaisterers Hall, 1, London Wall, E.C., 10.30
Telemetrix, 20, Farringdon Road, E.C., 2.00
Tudor, Pedmore House, Ham Lane, Pedmore, Stourbridge, 12.00
BOARD MEETINGS:
Finals:
Berry Birch & Noble
Celsis Int
First Ireland Inv
Foreign & Colonial German Inv Tst
Interims:
Bibby (J)
Morgan Grenfell Equity Inc Tst

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until about six weeks after the board meeting to approve the preliminary results.



Shining Path wages flame war

Simon Strong tracks the Peruvian communist guerrilla group to its Web site

It was never easy to obtain official documents from Shining Path, the Peruvian guerrilla group which launched its war on the state in 1980. They had to be obtained from activists who tended not to be available for very long – death or asylum were usually just around the corner.

Possession was also a risk. By 1992, after about 30,000 lives had been lost in the war, the government's repression of the guerrillas had become so random and draconian that one man spent six months in jail as a suspected terrorist after being caught making a photocopy of my book on the subject.

Last month, however, Shining Path launched a Web site on the Internet. The official documents of the Communist Party of Peru – Shining Path's real name – became instantly accessible worldwide. Distributors and readers alike need fear reprisals no longer.

The Web site address arrived by e-mail in response to my own e-mail inquiry to a US pro-Shining Path magazine, *New Flag*, with whose address (*lquispe@nyxfer.blythe.org*) I had in turn been provided by somebody close to the organisation.

Yet attempts to access the page through Compuserve failed. "Either Compuserve is denying access or it is being denied by the page," a hotline assistant said. After more consultation, he blamed the page format. He denied there was censorship.

Netscape, however, proved no problem. Portraits of Marx, Lenin and Mao emerged like faded ghosts on to my aged black-and-white screen. Five buttons offered routes to "Frequently Asked Questions" about the "People's War", as well as to the party's documents in Spanish and English, to back issues of *New Flag* and information on "President Gonzalo" – the *nom de guerre* of Shining Path's founder and leader, Abimael Guzman.

For any analyst of the Peruvian guerrilla war, the Web site is a remarkable find. Party documents confirm, for instance, that Shining Path believes that Guzman's letters and videoed TV appearance in 1993 – when, in an extraordinary jail cell *volte face*, he appeared to admit defeat and call for peace talks – were an elaborate hoax.

In the free-market fiesta of President Alberto Fujimori's Peru, such an interpretation of the incident is heresy. When I raised it on a radio news-show, the interviewer hung up. But woe betide Peru if it were right.

However, not only does the Web site provide Shining Path with a means to combat the state's well-executed psychological warfare. It also has a more sinister side. The documents, turgid and propagandist as they are, convey neo-Maoist political guidelines to supporters worldwide. One page still under construction bears the ominous title "Instructions".

Elsewhere on the Net, Shining Path activists engage in flame wars – verbal lacerations – that range from the farcical to the deadly. These occur mainly on Marxism discussion lists managed, it would seem by the address, from the University of Virginia in the US.

"Harriet" is one of the main protagonists. Whether the discussions concern Shining Path's attitude to gay rights or "snitches" – revisionists/informers – Harriet bashes everyone with garrulous and articulate delight.

Yet Harriet, who signs her letters with his real name, Adolfo Olaechea, goes beyond merely justifying the murders of leftwing Peruvian leaders. Those who defy Olaechea's perceived call to support the killing of Michel Azcueta, a district mayor in Lima who has survived several attempts on his life, are warned of the grim inevitability of Shining Path's final triumph and the retribution to come. "I was simply presenting an orthodox marxist point of view," says Olaechea.

The *marxism@virginia* discussion lists are high-volume. Within a week of my subscribing, Compuserve telephoned because my message basket was bloated and blocking up its system. To the infuriation of many participants, the lists are swamped by Harriet and his cohorts.

According to Olaechea – who *in absentia* has been sentenced to life imprisonment in Peru – his country's intelligence service participates, too. "They sucked in messages on one Peru list in such a way that mine and others' were then lost in cyberspace," he says. "Also, they have used an account in Germany to send death threats in my name to try to create rifts."

Although the high-velocity Net communication seems in itself to fan endless splits among Shining Path's international supporters, this is small consolation for Azcueta. Like the party's Web site, he could be hit anytime.

Tim Jackson

Dial 'N' for nemesis

In New York last Thursday an extraordinary but unpublicised meeting took place. It brought together two groups of people who, over recent months, have become bitter opponents: long-distance phone companies and Internet businesses.

The meeting was called against the background of a petition filed this spring by a group of long-distance carriers with the US Federal Communications Commission, begging the FCC to do something to outlaw use of the Net to offer telephone services.

Since this column first started discussing Net telephony last summer, about 1m people have acquired software packages that allow them to hold conversations with people in other countries. Not all these people use the software, and not all the different packages available can talk to each other, but a critical mass has been established that will soon make telephony via the Net a serious possibility for many computer users.

Further striking developments have taken place. Netscape Communications, the company that owns four-fifths of the market for World Wide Web browser software, has released a beta test version of a new browser, Navigator 3.0, which incorporates telephony functions. A company called ShadowTel has come into conflict with Canada's telephone regulators by offering customers a package of cut-price Net-based phone calls to the US. And Vocaltec, the leading telephony software provider, has given the first public demonstrations of a new Net-to-phone package that will allow PC users to call not only other computers around the world, but also any standard phone.

The stage is set for a half-year or so in which Net telephony, if unregulated, can be expected to make serious inroads into the long-distance and international revenues of the world's biggest telephone companies.

Which raises an important policy issue: should regulators stand by while this happens? At first sight, it is hard to see why not. Telephone companies make far higher margins on international and long-distance traffic than on local calls, and so have forced a minority of customers to subsidise the rest. The arrival of Net telephony, and the carnage it will wreak on telephone companies' profit and loss accounts, can be seen as an act of justifiable revenge by a much maltreated group of customers.

But allowing Net telephony to grow unhindered would invite one form of economic inefficiency to replace another. The present inefficiency is an artificial increase in the price of long-distance calls, and a consequent reduction in demand. Unrestricted Net telephony would introduce the opposite inefficiency: because Net service providers do not have to make any contribution to the cost of carrying local calls from subscribers into their switches, it can be argued that they can sell Net-based telephony services at an artificially low cost.

The key question is which distortion is more pernicious. Although it is always difficult to allocate costs in the telephone system, where most of the heavy bills are up-front and running costs are minimal, it is probably fair to say that the marginal cost of local calls is a fraction of 1p per minute. It is the difference between this amount and zero that is the distortion in favour of Net companies.

The opposite distortion involved in the traditional carriage of long-distance calls, however, is many times greater: in the US, local access charges paid by a long-distance phone company to cover the costs of the last mile of copper at each end can account for as much as 9 cents per minute. No wonder many long-distance phone companies pay half their revenues to local phone monopolies to settle these charges.

Last month, Prof Joseph Farrell, chief economist of the FCC, said that regulatory agencies like his own should do nothing to hinder the growth of Net telephony. Underlying his words – which had not been cleared beforehand with the commissioners, but seemed to reflect the views of the FCC's staff – was the clear belief that the smaller distortion makes toleration of Net telephony the lesser evil.

Last week saw an interesting divergence of strategy among phone companies. British Telecommunications continues to argue that Net telephony is little more than sleight-of-hand and regulatory arbitrage, since it is for technical reasons a less efficient use of bandwidth than carrying the same calls across the public network.

But this fails to take account of the fact that even without an efficiency advantage, Net competitors can undercut the phone companies' prices by 90 per cent or more because margins on traditional long-distance and international calls are so high.

In America, meanwhile, the telecoms industry is becoming pragmatic. The very holding of last Thursday's meeting – a discreet workshop, billed as a "search for common ground" – is a recognition that whatever else happens, the distortions inherent in the access charge regime cannot continue. No matter how the balance of advantage is struck, the days of paying disproportionately for local-call access are numbered.

This, then, may be the first way in which the Net fulfils its promise to revolutionise the world. Like the Berlin Wall, the entire system of telephone-call pricing, with its rising tiers linked to distance called, may come crashing down. Never mind the International Telecommunications Union and its accounting rates; never mind the bureaucrats in Brussels and their glacial progress towards liberalisation. Within a year, the Net could be responsible for cutting the price of international phone calls by half or three-quarters.

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Smart cards poised to mark revolution in data protection

The poor image of the technology as "Big Brother's little helper" may be altogether undeserved, says **Alan Cane**

The smart card – a piece of plastic the size of a credit card with a computer embedded in it – offers numerous benefits, but will force a re-evaluation of attitudes to privacy and data protection, says Demos, the independent think-tank.

Its report, one of the first to analyse policy issues raised by the rapid proliferation of smart cards in areas such as finance, health and public administration, warns that the benefits will only accrue when people are confident the technology will not become "Big Brother's little helper", as the authors put it.

Helpfully, Demos suggests policies to sidestep what it sees as a "sterile confrontation" between civil libertarians and authoritarian government and business interests in promoting the benefits of smart cards.

"We have argued that people will trust in these technologies when they can choose anonymity where they want it and have greater control over the use of personal information held about them," say the authors.

What distinguishes the smart card from other information technologies and gives it its power is the capacity to concentrate and manipulate a huge amount of information in a tiny space.

A reading device is necessary to view the information, but smart cards compute as well as store data. Software can be incorporated to encode the data, rendering it unreadable to anyone without the right key.

What can smart cards be used for? Their main use now is as telephone cards for public pay-phones, but they have the potential to identify individuals, to act as an electronic wallet for cashless shopping, and to provide a secure and portable information store. Medical histories could be stored on a smart card, for example, ready for recall by a doctor.

Visionaries talk of virtually unlimited amounts of information distributed through society in a variety of forms – the credit card model has been adopted for convenience rather than because of limitations inherent in microcomputers. Badges, pins and jewelry could all become "smart" accessories in the future

However, this sort of crystal-gazing raises questions. For example, what information should be stored on a smart device? Who should be able to read it? The Demos researchers are critical of suggestions by Michael Howard, Britain's home secretary, that a smart card could be used as a national identity card: a government-issued, multi-functional card, with the populace having little or no choice about which applications were available on the card – and perhaps no say about the privacy system employed.

Regulation of the privacy system – encryption – is important. It is comparatively easy to devise encryption methods which are almost impossible to break within a reasonable period. That worries governments fearful of being unable to unpick communications from terrorists and the like. The US has attempted to forbid the export of the more powerful US cryptography systems.

The Demos researchers argue that such tactics are counter-productive. They favour a private "key escrow", a system where cryptography users deposit the key to their system with a trusted private registry, approved and regulated by governments. "Government law enforcement agencies would have to obtain a court order on the basis that they had strong reason to believe that an individual or company that had escrowed their keys . . . was guilty of some crime".

The report proposes a radical reform of data protection legislation through some 10 supplementary conditions. Data users, for example, would have to get express consent from individuals for the use to which they would want to put the data. Rules on disclosure to third parties would be tightened, so that data users would have to receive specific permission from a data protection registrar in order to gain access to specific information.

It argues that individuals should be able to choose the card they want, and decide what information and applications will be loaded. "Where [Michael Howard's] card is an essentially authoritarian instrument, our proposal is for a more market-based instrument in which the role of government is to align the incentives within the market to ensure privacy, trust and individual access and control," says the report.

● *On the Cards, by Perri 6 and Ivan Briscoe. Demos, 9 Bridewell Place, London EC4V 6AP. £9.95.*

Cyber sightings

Stephen McGookin

● The 49th Cannes film festival is well under way, and if you can't attend, there are several good sites where you can keep up with the events and gossip. Le Monde and World Media Live have set up a joint site (*http://cannes.worldmedia.fr/Cannes96live*), while the festival's informative dual-language official site is at *www.festival-cannes.fr/*

● The Financial Information Warehouse (*www.financial.de*) is a German-language site with a Borse ticker, market information and a software house carrying details of relevant applications.

● Anglian Water has set up a nice, well laid-out site (*www.anglianwater.co.uk*) as a way of disseminating its corporate message.

● The Institution of Occupational Safety and Health (*www.iosh.co.uk*) is Europe's leading body for practitioners in that field. Its site has membership details as well as a good listing of forthcoming events.

● If Viking sagas are your particular thing – and that's entirely up to you – try Scarborough's (oops, sorry, that's Skarthaborg's) very own Millennium Experience (*www.eclipse.co.uk/scarmill*) for storytelling of epic proportions.

● If you prefer more conventional pastimes, try the excellent golf.com (*http://golf.com*). It has a great range of information and entertainment and makes clever use of frames.

● The Henley Business Partnership is on *www.henleypartners.com* and has nothing to do with the Henley Centre, as far as I can tell. This consultancy site is a bit bare-bones, although it has an online "agony column" and business health check which might be useful.

● Talking of online advice, Adrienne Toghraie's "Dear Coach" column (*http://avidinfo.com/tot/coach.htm*) is a Q&A forum for traders. So if you've ever asked "How can I handle my in-laws when they call me their 'gambler son-in-law' in public?", then this is the site for you . . . .

● Advancing Women (*www.advancingwomen.com*) is a nicely designed site set up as a networking opportunity for women in business, science and technology. Plenty of useful resources and a look at leading corporations' workplace gender equality policies.

● Xenon Laboratories' Interactive Currency Table (*www.xe.net/currency/table.htm*) is a useful instant table displaying cross-rates for all the leading currencies as well as sterling.

● For an excellent, enhanced graphical representation of the same information, the Currency Exchange section of Rubicon's Digital Passport (*www.rubicon.com/passport.html*) takes some beating. Other good features including a global public holiday list, easily make the Digital Passport the site of the week.

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Financial Times on the World Wide Web
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BUSINESS TRAVEL

Travel News · Roger Bray

US airfares tumble

As cut-price, no-frills airlines start to spread their wings in Europe, the US experience augurs well, where they have dragged down the overall cost of flying by up to 40 per cent.

The US Department of Transportation reports that on routes where the no-frills outfits compete with conventional carriers, the average one-way ticket price *has fallen from $148 (£97) to* $94, or from $173 to $103 if one of the destinations involved is a leading airline hub. The report estimates that the *emergence of carriers such as* Southwest Airlines and ValuJet has saved US travellers a total of $6bn.

Between 1988 and 1995 passenger numbers in markets served by low-cost operators tripled to more than 100m, while falling elsewhere.

In the pink

The sugar-pink Mount Nelson Hotel in Cape Town is undergoing a big expansion. *Four properties bordering the* hotel's grounds are being renovated or rebuilt to provide 67 additional bedrooms and suites.

The £7m development will increase the Mount Nelson's capacity by 40 per cent and is scheduled for completion in time for the next summer season.

Executive service

Le Shuttle, the Channel tunnel car-carrying operation, is to *launch a premium class service* for business travellers next month.

Customers will be offered a dedicated inquiry line, dedicated toll booths, a priority fast-track lane and airport-style business lounges with fax, telephones, light refreshments and newspapers.

A pilot scheme is already quietly under way. Travellers who look as though they are travelling on business are asked if they would like to try the service for a small premium.

The operator claims to have *attracted nearly 400,000* business users in its first full year, and will attempt to improve on that by offering special hotel, car hire and *insurance rates,* pre-booked duty-free purchases, and ultimately a frequent-traveller scheme.

Tenerife complex

A striking new pyramid-shaped conference centre has opened in Tenerife. It is close to the beach in Arona, in the south of the island, 11 miles from Reina Sofia airport.

The main auditorium seats 2,044 delegates and there are up to 40 separate rooms for smaller meetings. It is part of a resort complex: two five-star hotels are already open and three more should be completed by October.

Expansion in Asia

Strong economic growth in the Asia-Pacific region has prompted sweeping expansion plans at Radisson Hotels, which hopes to open 75 new properties there by the end of the decade.

Early developments include a 104-room hotel at Bukit Indah City, near Jakarta, which is scheduled to open in August, and the 280-room Plaza, close to Kuala Lumpur's City Centre development and opening in December. More than 20 properties are planned in India.

Racing to Vietnam

Lauda Air, the Austrian *airline owned by former world* motor racing champion Nikki Lauda, has extended its weekly Vienna-Bangkok service to Ho Chi Minh City.

The flight departs at 22.25 on Fridays, arrives in the Thai capital at 15.05 the following day, and lands at Ho Chi Minh's Than Son Nhat airport at 17.40. The airline operates connecting flights from London Gatwick and Manchester.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	21	20	21	19	19
Hong Kong	26	26	27	26	26
London	16	17	16	15	14
Frankfurt	15	20	21	19	16
New York	16	17	19	24	17
L. Angeles	24	24	24	23	22
Milan	21	21	24	22	21
Paris	15	18	19	18	16
Zurich	16	20	21	19	17

Information supplied by Meteo Consult of the Netherlands

Maximum temperatures in Celsius

Stephen Fidler examines the role of Latin American governments

Flights into danger

The safety scores

International aviation rankings in Latin America and the Caribbean:

Category 3: Unacceptable:	Category 2: Conditional:
Belize	Aruba
Dominican Republic	Bolivia
Haiti	Colombia
Honduras	Ecuador
Nicaragua	Guatemala
Paraguay	Jamaica
Suriname	Peru
Uruguay	Trinidad and Tobago
	Venezuela

Source: US Federal Aviation Administration

On April 2 this year, at 10.30am, the main inter*national airport* in Buenos Aires was plunged into darkness for nearly an hour. It had not paid its electricity bill since November and owed the power company, Edesur, $830,000 (£547,000).

That afternoon, Oscar Camilión, the minister of defence, contacted Edesur, *promising prompt* settlement. Ezeiza, run by the Argentine air force, comes under Camilión's jurisdiction. The power cut prompted an article in *La Nación* newspaper, pressing for the privatisation of the airport, which handles 4m passengers annually.

For some years the private monopoly running air cargo in Argentina has been the centre of a political debate. Complete control of air freight in Argentina by Edcadasa, owned by Alfredo Yabran, has been criticised by economy minister Domingo Cavallo and his allies.

So far, the armed forces and Yabran appear to have succeeded in slowing the airports' privatisation. There is evidence that poor management of the airports is compromis*ing air traffic safety.*

For example, the country's two main airports, both in Buenos Aires, together handle an average of 320 aircraft a day. They are monitored by a single radar, with a repeater in the downtown airport, Aeroparque.

According to a report by Andres Ricover, an air safety consultant based in Buenos Aires: "This 20-year-old radar has begun to suffer frequent faults, leaving the entire area of Buenos Aires 'blind' for up to 10 days at a time."

Pilots also report confusion and poor comprehension of English among Argentina's air traffic controllers, says Ricover.

Last winter, a small aircraft taking off from Aeroparque crashed into the River Plate, but rescue teams were not notified.

The two airports – and *the Baires* air traffic control area – were assigned a black star in April 1995 by international airline pilots, implying critical deficiencies in *safety standards.*

The pilots' assessors complained that some runways lacked approach lighting and some taxiways were without lights, while some aprons had confusing markings. They concluded: "Landings not recommended in heavy rain and crosswinds exceeding 10 knots."

Ezeiza has recently installed instrument landing systems but inexplicably invested in old technology which does not allow landings in zero visibility.

Argentina is not alone in having its civil aviation run by the military. Paraguay and Uruguay, both of which are classified as having *unsatisfactory air safety* supervision by the US Federal Aviation Administration, and whose airlines are thus unable to fly to the US – are in the same predicament.

Chile is an exception. A general heads the civil aviation board, but he is independent from the government and armed forces, and the board is self-financing and free from *interference. Its air safety norms* are rated highly. Santiago has the most advanced instrument landing systems in Latin America.

Even when civilians are in charge, *there are concerns.* "In Peru, all international airline safety norms are being violated," says Victor Girao, who flew for 34 years with Faucett Airlines before being dismissed for denouncing alleged management irregularities.

He says pilots' maximum flying *hours have been increased,* and *that* some airlines pressure pilots to fly aircraft with defects – and carrying more weight than the manufacturers recommend.

Girao says the Boeing 737-200 which crashed in February close to Arequipa, could safely land at that altitude only with 50 passengers. In the event, 117 passengers and six crew died.

Latin American aircraft are also ageing. "The majority of fleets include a large majority of aircraft of more than 20 years of age," says Andres Ricover.

Some countries are already attempting to improve standards. Bolivia is making a great effort to meet all international air safety standards. "They are doing an excellent job," says Ricover.

Privatisation of airports, being proposed by Bolivia, is favoured by many, provided it goes hand in hand with good regulation.

Also examining the issue are the World Bank and the InterAmerican Development Bank. In a recent report Ricover argued *that in* no way were the deficiencies fully attributable to a lack of finance.

He estimates it would take less than $1bn to fix the ground-based air safety systems in a large part of Latin America.

Bob Booth, head of Miami-based *Aviation Management Services,* says Latin America is the "fastest growing air traffic market in the world."

Despite this the skies over Latin America *remain emptier than over* the US, and its airports not as busy. Nonetheless, growing numbers of people in the aviation business believe it is time more Latin American governments acted to improve air safety.

Additional reporting by David Pilling and Sally Bowen

This is the second of two articles on the air travel dangers in Latin America. The first appeared on May 6

The road to trouble

Stories *about crazy taxi drivers* and pothole-ridden mountain roads often feature luridly in travellers' tales about the places they have visited. In fact, traffic accidents in foreign countries are a serious reason for concern, according to the Association for Safe International Road Travel a US non-profit organisation.

Using data provided by the United Nations, the US State *Department and individual countries,* the association has just published a list of the world's most accident-prone stretches of road.

"Business and other travellers would do well *to study safety* statistics before they travel," says Rochelle Sobel, who heads the association. "*That way they can be better prepared.*"

According to the association, the 10 most perilous countries for road travel are Egypt, Kenya, Latvia, *Turkey, Morocco, Sri Lanka, South* Korea, Honduras, Costa Rica and Mexico. The association also singles out a few particularly dangerous stretches of highway, including the E-5, E-24, and E-23 in Turkey, highway 15 in Mexico, the road between Athens and Corinthons in Greece, and Kvish *Hachof between* Haifa and Tel Aviv.

The world's most accident-prone highway is the Yungus Road in Bolivia, according to the association, *because of its sharp turns and* slippery terrain. It points out that mountainous highways are often particularly hairy, featuring narrow blind curves with no guardrails. In western Europe, truck-crowded Belgium and mountainous Austria, Greece, Spain and Portugal are among the worst bets. Indeed, motorcycle travel in all these countries should be completely avoided, says the association.

The 10 *safest* countries for road travel, the statistics show, are Canada, Denmark, the UK, Ireland, Japan, the Netherlands, Norway, Sweden, Switzerland and the US. *The association assesses road* safety by the number of injuries and deaths per 100m kilometres travelled by all vehicles on a particular country's roads.

By this measurement, a heavily travelled stretch of highway with many accidents would still be deemed safer than a road with half the accidents but only a fifth of the traffic volume.

Differences between countries can be marked. Egypt, for instance, sees about 43 fatalities per 100m kilometres of road travel, compared with one in the UK, US and Sweden. Even when dangerous roads cannot be avoided, the association says, travellers can reduce the risk *of* accidents by following safety guidelines. Among them:

- Avoid night travel. Not only is vision limited in the dark, but night is also the time when drunk drivers are most likely to roam dangerously. "Many countries' drunk driving laws are not very *strict,*" says Sobel. Drunks tend to be more numerous on public holidays.
- *Find out about* local road rules and customs. Knowing when to yield, and what speed to move at, for instance, can help you avert trouble. Drivers should also be *aware of national* idiosyncrasies. "In some countries, drivers only turn on their car lights when another car is approaching," says Sobel.
- When renting a car, insist that the vehicle is equipped with safety features such as seatbelts and airbags. And check the general condition of the car as far as you can, including its tyres.

Passengers can also lower the risk of an accident, says the association, by being more assertive with local drivers. The association recommends committing to memory a few foreign phrases such as "Please slow down", "Stop" and "Let me *out, please*".

As for taxis: "Don't be shy about letting the driver know you'd like him to drive more safely," says Sobel.

The association provides free information on road safety in different countries, available from 5413 West Cedar Lane, Suite 103C, Bethesda, Maryland, US.

Victoria Griffith

ARTS

OPENINGS

TOKYO
Few Western conductors are more at home in Japan than Wolfgang Sawallisch (above), who has been a regular visitor for more than 30 years. Japanese music lovers adore him – which is why his latest tour with the Philadelphia Orchestra has aroused so much interest. Starting on Thursday, Sawallisch conducts a Beethoven cycle at Suntory Hall, and then he takes the orchestra to China for a concert at the Great Hall of the People in Beijing on May 31.

BATH
The a cappella harmonies of Sweet Honey In The Rock open The Bath International Music Festival on Saturday. The jazz and new music weekend to follow, a mix of new and exciting sounds, includes Willem Breuker's crazed big band and rising star, pianist Nikki Yeoh.

GLYNDEBOURNE
Both new productions at this year's festival are of works not previously performed at Glyndebourne – Handel's "Theodora" and Berg's "Lulu". "Theodora", opening on Friday, is the house debut of American period specialist William Christie, conducting the Orchestra of the Age of Enlightenment. The producer is the controversial Peter Sellars.

VIENNA
The French artist Raoul Dufy (1877-1953) is best known for his brilliant use of colour and the seeming effortlessness with which he disguised the complex structure of his works. Dufy's reputation has risen in recent years – a fact reflected in the KunstHaus's decision to mount the first Austrian retrospective, opening on Wednesday. More than 100 objects will present Dufy's art in all its many guises.

LAUSANNE
The Musee des Beaux-Arts has organised a retrospective of Aristide Maillol (1861-1944), one of the principal French sculptors of his time. Maillol is best known for his female figures, which combine vitality and sensuousness with an abstract quality. The Lausanne exhibition, which opens on Wednesday, features 60 of them, supplemented by drawings, prints and book illustrations.

CHICHESTER
The playwright Simon Gray, whose "Cell Mates" was scuppered in the West End last year by the defection of the actor Stephen Fry, produces his next play for the Minerva Theatre at Chichester this week.
Titled "Simply Disconnected", it opens tonight and stars Alan Bates (left) and Benedick Bates, and is directed by Richard Wilson.

Artist, activist and egomaniac: Derek Jarman "canonised" by the Sisters of Perpetual Indulgence, September 1991

Jarman: a true renaissance man

Oscar Wilde, the man, has been described as the greatest creation of Oscar Wilde, the artist. Derek Jarman, painter, film-maker, theatre designer, writer, gay activist, gardener, left a similar impression. "He had a dynamo going around inside him which made him half egomaniac, half very joyful creative person," says Richard Salmon, art dealer, who has handled Jarman's work since 1987.

Now Jarman, who died of Aids in 1994, is the subject of a major retrospective at the Barbican. He was diagnosed HIV positive in 1986, in his mid-forties, and had his first exhibition of paintings with Salmon the following year: "Getting the virus focused Derek in a way that nothing else would have done."

Jarman's last eight years were extraordinarily productive. He made six films, designed two theatre productions and the Pet Shop Boys pop music tour, directed his first opera, took part in over 20 exhibitions and published three books. Salmon cites in particular the two series of abstract paintings made between 1992 and 1993, numbering almost 50 works. "These have a ferocity and energy which I don't believe has been recognised yet. They brought his anger about being ill to the surface."

Initially, the art establishment was uncomfortable with a painter who was also a successful theatre designer. In the 1970s he more or less abandoned painting on discovering the joys of the Super 8 camera, and his detractors considered him lost to endless home movies of his friends dressing up and carrying on. The late 1980s saw Jarman's work being taken seriously for the first time, says Salmon. "Until then he was thought of as half a nutter and half a nuisance." Jarman's nomination for the Turner Prize in 1986 cited "the outstanding visual quality of his films in particular *Sebastiane*, *Jubilee*, *The Tempest* and *Caravaggio*."

While Jarman "loathed the middle-class political atmosphere of Britain", he could not have lived anywhere else. The artist's own little piece of England was Prospect Cottage at Dungeness, where on the shingle, overshadowed by Sizewell nuclear power station, he created a garden among the stones: "Can't you see how perfect that is? Since I have a death sentence on me, it doesn't matter."

Jarman was a shrewd judge of acting talent. Pop stars Adam Ant and Toyah Wilcox and actors Tilda Swinton and Sean Bean were all his protégés. Young activists of the gay movement looked up to him, and he became for them the older male role model that he himself had never found.

Salmon thinks Jarman will be remembered "as a great champion of gay politics who just happened to be a painter and film-maker; as the maker of *The Last of England*, the greatest British film since the second world war, as the painter of the 'Queer' and 'Evil Queen' paintings, timeless works of art, as someone with the most fantastic personality...". Salmon is pleased that the Barbican exhibition "gives people a chance to see what he actually did".

At the opening last week, however, Richard Salmon could not shake off the feeling that something, or rather someone, was missing. Derek Jarman the man is irreplaceable.

Lynn MacRitchie

Derek Jarman: Artist, Film-maker, Designer. May 9 – August 18, Barbican Art Gallery, Barbican Centre, London EC2Y 8DS.

Opera/**Andrew Clark**

Disenchanted Tchaikovsky

Sex and jealousy are supposed to be fail-safe operatic ingredients, but in Tchaikovsky's *The Enchantress* the potion fails to work. That was the judgment of his contemporaries, who deserted the initial run in St Petersburg in 1887. It must also be the verdict on New Sussex Opera's production at the Brighton festival. At first sight it was amazing to find this billed as a British stage premiere – but not so surprising after last week's performance at The Dome, which did little to challenge the view that *The Enchantress* is Tchaikovsky's weakest opera.

As with *Eugene Onegin*, Tchaikovsky's imagination was fired by a single scene. But unlike the Letter Scene in *Onegin*, which fits seamlessly into its surroundings, the amorous confrontations of Act 111 in *The Enchantress* are the only instance where musical poetry and dramatic authenticity coincide. The problem lies in the libretto, a long-winded mix of old Russian customs, fairy-tale narratives and romantic tragedy, which Tchaikovsky commissioned from Ippolit Shpazhinsky after reading his play of the same name.

The real tragedy is that Tchaikovsky lavished so much good music on a poorly constructed plot. *The Enchantress*, composed between the *Manfred* symphony and *The Queen of Spades*, has the melancholy lyricism of the former and some of the psychological insights of the latter. In true Tchaikovskian vein, it is also a fund of marvellous tunes. Perhaps *The Enchantress* is the ultimate gramophone opera – though no modern recording exists.

The central character is Nastasya, a sexy innkeeper whose free spirit goes against the grain of a patriarchal society. She attracts the attention of Prince Nikita, who promptly falls in love with her – only to find his son Yury has stolen her heart. The climax comes when she rejects the Prince and seduces Yury. Everyone ends up either mad or dead.

There are shades of Carmen and Violetta here – dangerous women redeemed by love – but they were nowhere to be seen on John Lloyd Davies's NSO staging, which failed to establish Nastasya's vulgar, loose-living credentials at the outset. As a result, her transformation into a moral being had little point. A tauter visual style might have helped.

At best, Davies's designs evoked the skewed symbolism of the early 20th-century Russian avante-garde; at worst, a primitive, picture-book world. The chorus costumes were a mess.

The music was in safer hands. The NSO orchestra enjoyed all the dashing scales and woodwind colouring of the score, and David Angus paced it expertly. He also let the singers be heard – a notable achievement, given that none of the voices had the exciting opulence the opera demands.

Virginia Kerr's sweetly-sung Nastasya flowered as the evening progressed, particularly in her confrontation with Doyle Wilcox's Yury. Both were overshadowed by Andrew Slater's Prince Nikita, a keenly felt portrait of aristocratic dignity and obsessive lust. Gerard O'Connor was an effective foil as the censorial patriarch Mamirov.

NSO deserves a pat on the back for its initiative, but there are less demanding operas in need of revival. A work like this needs a bigger budget, bigger stage and bigger voices, preferably singing in Russian. Until we get that, *The Enchantress* will fail to enchant.

The Brighton festival continues until May 26 (01273 709709). New Sussex Opera gives a final performance of The Enchantress at Snape Maltings Concert Hall on May 18.

Theatre/**Ian Shuttleworth**

'Downtime' on the 'Misfits'

Film director John Huston notoriously lived his life with the intensity of several lesser men, yet to my knowledge this is the first time a sizeable play has been written about him. More precisely, Alex Finlayson's piece deals with the shooting of Huston's film *The Misfits*, and so inevitably Huston the director is overshadowed by his cast – which included Clark Gable and Montgomery Clift – and especially by the deteriorating marriage of screen writer Arthur Miller and female lead Marilyn Monroe.

The part of Monroe in any stage or screen project is a poisoned chalice, but Lisa Eichhorn acquits herself with honour, capturing the sense of constant fluid movement and the confusion of emotions in her voice (although not the softness of its timbre). Marilyn, fuelled by booze, pills and a desperate need to prove herself as a "real" actress, is childishly dependent on the counsel of her Method-guru Paula Strasberg (Paola Dionisotti) rather than either Huston or her husband. Miller, meanwhile, is obsessed with writing the Great American Movie, handing in daily rewrites and stuck for an ending until the film is well behind schedule. The constant delays caused by Monroe's (and to an only slightly lesser extent Clift's) nervous dissipation and Huston's frequent gambling sprees on location in Reno give Finlayson considerable scope for human drama.

He hits the bull's-eye only fitfully, largely because his Arthur Miller (as played by Christian Burgess) comes across as a disembodied brain with frustrated ambitions to be a heart instead. Consequently, Marilyn's confrontations with him are at best one-sided affairs in terms of passion: truthful perhaps, but lacking in spark.

Finlayson's urge to untangle Monroe's psyche extends to writing a disconnected hospital scene in which he gives physical presence to both her brassy-teenage and insecure-childhood selves. However, the pivotal scene is a gem: Marilyn and Monty open up to each other in a hotel room late one night while Miller single-mindedly pounds at his typewriter next door. The mannerisms of James Clyde's Monty (younger and more effeminately homosexual than the 40-year-old Clift) fall away until all that remain, huddled on the bed, are "two little people in a little boat lost on a great big sea".

Gregory Hersov's production and Laurie Dennett's design make up in verve what Finlayson's script may miss in insight. Boom mikes, a make-up trailer and a Dodge truck are wheeled on and off, and one scene is bookended by takes of a movie shot in which Gable supposedly ropes a mustang: in a simple but bold and hilarious stroke, Ray Lonnen as Gable (who elsewhere gives a gracious performance) appears through one door, is dragged at high speed on his stomach across the stage, and disappears out of the opposite door. Hersov goes full tilt for the chaos which surrounded both the shoot and its "downtime", and if Stephen Yardley concentrates on the tyrannical aspect of Huston and neglects his seductive side, this is still a man whom one can imagine holding up production in order to ride in, and win, a camel race (sadly not reproduced onstage).

The film *The Misfits* (Gable's as well as Monroe's last picture) is a haunting, underrated work, and Finlayson's play does depend for its full impact on knowledge of the movie, although not to a crippling extent. Monroe's philosophical farewell to Miller – "You wrote me, and I took it, and we finished" – as he stands alone on a darkening sound stage is an obvious but perfect ending. There have been a number of films about stage shows; it is about time the balance was redressed.

At Manchester Royal Exchange, until the *June 1 (0161 833 9833)*. The film is shown on BBC1 tonight.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Museum het Rembrandthuis
Tel: 31-20-6249486
● The Old Testament in Dutch 16th and 17th-Century Print Making. Rembrandt, his Predecessors and Pupils: religious scenes constitute an important part of Dutch 16th and 17th-century imagery. Especially dramatic events from the Old Testament, like The Fall, Abraham's Sacrifice, Susanna and the Elders, were popular subjects for artists; to Jun 2

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Staatskapelle Berlin: with conductor Plácido Domingo and harpsichordist/pianist Daniel Barenboim perform De Falla's Concerto for harpsichord, flute, oboe, clarinet, violin and cello, suite from El Amor Brujo, Noches en los Jardines de España, and excerpts from El Sombrero de Tres Picos; 8pm; May 21, 22

Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● Mi-Joo Lee: the pianist performs works by Brahms, R. Schumann and Liszt; 8pm; May 20

OPERA
Komische Oper Tel: 49-30-202600
● Die Zauberflöte: by Mozart. Conducted by Winfried Müller and performed by the Komische Oper and the Dresdner Kreuzchor. Soloists include Frei, Ramos, Sternberger, Kang and George; 7pm; May 14

■ BRUSSELS

THEATRE
Rideau de Bruxelles
Tel: 32-2- 507 83 60
● Molly Sweeney: by Brian Friel (in French). Directed by Adrian Brine. The cast includes Cristian Crahay, Danièle Denie and Luc van Grunderbeeck; 8.15pm; May 14, 15, 17, 18, 19 (3pm)

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Blechbläserensemble: with conductor Ludwig Güttler perform works by Scheidt, Gabrieli, Brade and Purcell; 8pm; May 14
● Cecilia Bartoli: accompanied by pianist Jean-Yves Thibaudet. The mezzo-soprano performs songs by Vivaldi, Gluck, Mozart and Bellini; 8pm; May 15

■ GENEVA

AUCTION
Sothebys Genève
Tel: 41-22-7328585
● Gold Boxes, Objects of Vertu, Russian Works of Art and Fabergé: highlights of the sale include a 19th-century fan with jewelled gold and enamel mounts, the guards set with a watch and an automaton, a Russian imperial presentation gold and amethystine quartz snuff box, and a gold-mounted pearl and diamond necklace by Fabergé with its original case; 10.30am; May 15

■ HUMLEBAEK

EXHIBITION
Louisiana Museum of Modern Art
Tel: 45-42 19 07 19
● NowHere: a large-scale presentation of international contemporary art. The exhibition is organized in collaboration with four guest curators: Ute Meta Bauer (Germany), Iwona Blazwick (England), Laura Cottingham and Bruce Ferguson (USA); from May 15 to Sep 8

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● Czech Philharmonic: with conductor Gerd Albrecht perform works by Dvorák and Brahms; 8pm; May 14

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● The London Symphony Orchestra: with conductor Mstislav Rostropovich, tenor Ian Bostridge and horn-player Hugh Seenan perform works by Bennett, Britten and Shostakovich; 7.30pm; May 14

Royal Festival Hall
Tel: 44-171-9604242
● Philharmonia Orchestra: with conductor Myung-Whun Chung and pianist Lars Vogt perform works by Beethoven and Brahms; 7.30pm; May 14

EXHIBITION
Royal Academy of Arts
Tel: 44-171-4397438
● Gustave Caillebotte 1848-1894. The Unknown Impressionist: exhibition featuring works by the French Impressionist painter Caillebotte; to Jun 23

OPERA
London Coliseum
Tel: 44-171-8360111
● Fidelio: by Beethoven. Conducted by James Holmes and performed by the English National Opera. Soloists include Anthony Rolfe Johnson, Kathryn Harries, Keith Latham and Philip Sheffield; 7.30pm; May 16, 18, 21, 23

■ MILAN

CONCERT
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Die Schöne Müllerin: by Schubert. Performed by baritone Hermann Prey, accompanied by pianist Michael Endres; 8pm; May 20

■ MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Der fliegende Holländer: by Wagner. Conducted by Charles Mackerras and performed by the Bayerische Staatsoper. Soloists include Jaakko Ryhänen, Luana DeVol and Ekkehard Wlaschiha; 7.30pm; May 14, 18 (8pm)

■ NEW YORK

CONCERT
Merkin Concert Hall - Abraham Goodman House
Tel: 1-212-5013330
● The Quintet of the Americas: perform works by Barber, Villa-Lobos, Bernstein and Piazzolla; 2pm; May 14

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● Horst: A Retrospective: exhibition honouring the work of the recipient of the 1996 ICP Mastery of Photography Award. Although Horst is principally known for his work as a fashion photographer, the display also looks at other aspects of his work; to Jun 2

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Marc Laforet: the pianist performs works by Debussy, Beethoven and Chopin; 8.30pm; May 14
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Cecilia Bartoli: accompanied by pianist György Fischer. The mezzo-soprano performs songs by Mozart, Rossini and Bellini; 8.30pm; May 21

EXHIBITION
Galeries Richelieu
Tel: 33-1 47 03 81 26
● Corot, le génie du trait: exhibition featuring prints and drawings by Jean-Baptiste Camille Corot (1796-1875), on the occasion of the 200th anniversary of the birth of the artist; to May 19
Musée des Arts Décoratifs
Tel: 33-1 44 55 57 50
● Les Dubuffet de Dubuffet: exhibition of works by Jean Dubuffet from the collection of the artist himself. The works were donated to the Musée des Arts Décoratifs in 1967; to Jun 30

■ SAN DIEGO

EXHIBITION
Museum of Photographic Arts
Tel: 1-619-238-7559
● For my best beloved Sister Mia: An Album of Photographs by Julia Margaret Cameron: this exhibition features over 100 images from a photographic album that Julia Margaret Cameron presented to her younger sister, Mia Jackson, in 1863; to May 14

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado and pianist Daniel Barenboim perform Beethoven's Piano Concerto No.3 and Symphony No.7; 3.30pm; May 18
● The London Philharmonic: with conductor Franz Welser Möst perform Beethoven's Symphony No.1 and Bruckner's Symphony No.6; 7.30pm; May 14

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European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Michael Prowse · America

Paying for crime

Offenders should be required to compensate their victims financially and not simply serve time at taxpayers' expense

Americans are feeling a fraction less apprehensive about crime. The FBI last week reported a fall in serious crime for the fourth year running. Homicides were down 8 per cent from 1994, perhaps because of more effective policing in big cities such as New York and Houston. Rapes, burglaries and assaults were down 6 per cent, 5 per cent and 3 per cent respectively.

A steady decline in serious crime over four years sounds suspiciously like the start of a trend. A lasting abatement of violence is certainly possible: sustained declines in crime have occurred this century. The annual homicide rate (a good barometer of overall crime) fell by nearly 50 per cent between the mid 1930s and the late 1950s before climbing to new peaks in the 1980s and early 1990s. Unfortunately, the recent improvement seems likely to be just a lull before another storm.

It probably mainly reflects demographic changes: a fall in the proportion of males aged 15 to 29 (the high risk years for crime), following the ageing of baby-boomers. The bad news is that demography is now pulling in the wrong direction again. The number of males aged 14 to 17 will rise about 20 per cent over the next decade, with larger increases among the most crime-prone minority groups.

The evidence suggests these youngsters will be even more violent than their fathers, perhaps reflecting the continuing rise in out-of-wedlock births and other social pathologies. While adult crime rates have moderated, the proportion of juveniles arrested for serious crimes has soared in the past decade (see chart); the numbers of young offenders arrested for homicide, for example, have tripled since 1984.

How can society combat such predators? The "lock them up" approach championed by the Reagan administration in the 1980s remains by far the most popular policy. The recently enacted federal "three strikes and you're out" (in other words three serious crimes and you are jailed for life) law is merely the latest manifestation of this policy. In the past 15 years, the penal budgets of most states have soared, reflecting one of the world's most ambitious prison-building programmes. The US incarceration rate has nearly tripled since 1980 and far surpasses that in most other industrial countries. Some experts advocate an even more intense use of prisons in readiness for the next crime wave, expected as today's juveniles reach maturity.

"At the moment we have about 1m people in custody. I think the number should be closer to 2.1m," says Mr John DiIulio, a professor at Princeton University. He says the much-trumpeted shift to a tougher sentencing policy was mainly rhetoric. The justice system imprisons only one person for every 100 incidents of violent crime, he claims. And the actual sentences served are surprisingly short: the average time for rape is less than five years, for assault only two years.

Perhaps Mr DiIulio is right. Perhaps there is still mileage in the "lock them up" strategy. But incarceration remains an extraordinarily expensive way of fighting crime. Instead of benefiting victims it imposes additional costs on them because, as taxpayers, they have to pay for upkeep of a growing population of idle prisoners. What is needed in the US, and other countries, is a more imaginative approach to punishment.

Under present law, there is very little emphasis on compensating victims. Yet most crimes are not crimes against society at large but violations of the rights of specific individuals. As US libertarians have long argued, the principle that should govern punishment is restitution: offenders should be required to compensate victims for the harm they have inflicted.

In most, but not all cases, the compensation could be financial. Thus instead of having prisoners kept in idleness at taxpayers' expense, offenders should be required to work, with the income they earn being used to pay off their debts to victims, and the costs of bringing them to justice.

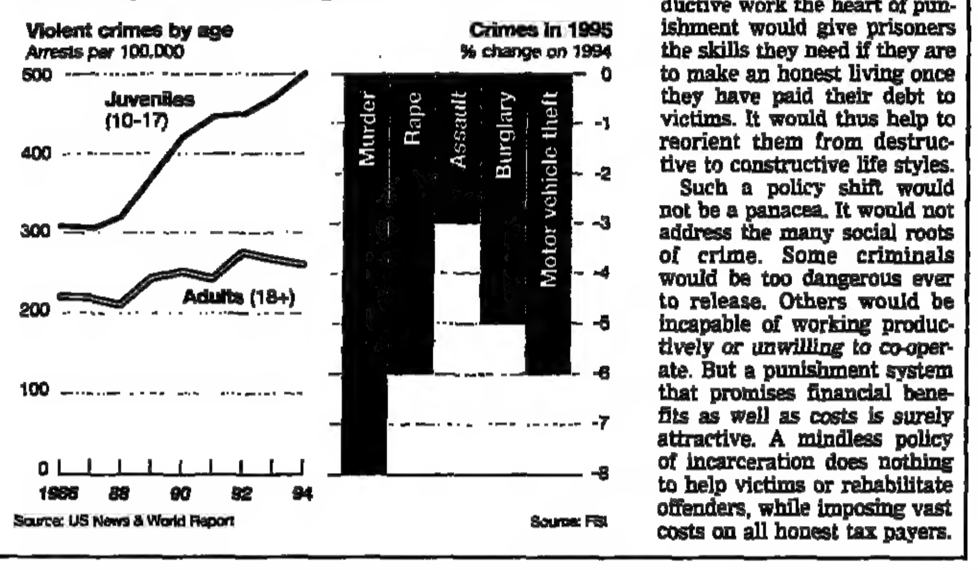
In many cases, no incarceration would be needed. An offender would simply be required to pay a certain proportion of his income to the victim until his debt was extinguished. Where initial imprisonment is necessary (say, for violent criminals), the term should depend on how quickly they can generate income with which to compensate victims or their heirs. A highly productive prisoner ought to be able to "earn" a shorter sentence.

Since the goal is to compensate victims, there would be no punishment for "victimless crimes" – activities that do not involve coercion or violence. Government would not attempt to restrict the voluntary choices of adults in such fields as drugs, prostitution and pornography, though it would protect children. This would reduce crime, especially in inner cities: if drugs, for example, were legalised, the trade would not generate super-profits and would no longer be a special target for violent criminals. And the police could focus more resources on the crimes that do involve unwilling victims.

The restitution principle would also encourage more rapid rehabilitation of offenders. The justice system could achieve its new goal of financially compensating victims only by pursuing strategies designed to instil a work ethic in prisoners. Yet making productive work the heart of punishment would give prisoners the skills they need if they are to make an honest living once they have paid their debt to victims. It would thus help to reorient them from destructive to constructive life styles.

Such a policy shift would not be a panacea. It would not address the many social roots of crime. Some criminals would be too dangerous ever to release. Others would be incapable of working productively or unwilling to co-operate. But a punishment system that promises financial benefits as well as costs is surely attractive. A mindless policy of incarceration does nothing to help victims or rehabilitate offenders, while imposing vast costs on all honest tax payers.

US crime: juvenile violence grows as total offences fall



·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Unlikely that measure would work in practice

From Mr Roger Davis.

Sir, The Lex column ("Return on investment", March 7) advocates shareholders' use of total return on investment (ROI) measures alongside earnings per share (eps). The theory runs that bad (and good) investment decisions would be clearer to see.

Anything which reduced pressures on companies to report short-term staccato growth in eps would be widely welcomed. Most competent managements apply long-run internal rate of return criteria to investment decisions which then have to be translated into annual eps. But would ROI reduce short-termism? The City has an insatiable appetite for short-term results, whatever the measure.

Historical cost accounting has many limitations, but Lex is wrong to suggest its wholesale abandonment. The measure is of actual investment made, not of what I would theoretically invest in today with the luxury of a clean sheet.

The business reality is that management has to sweat its existing assets and divest if it can no longer do so.

And of course ROI ignores the shareholder value of good financial engineering, a major task of management particularly with diverse multi-currency operations.

Full marks to Lex for initiating a debate. But start it at the point of what management itself needs to measure its long-run industrial competitiveness. It would be a bizarre economy which required shareholders to have something else. And I hope my own profession might for once keep the level of discussion above the arcane technicalities of the status quo.

Roger Davis,
head of accounting and audit,
Coopers & Lybrand,
1 Embankment Place,
London WC2N 6NN, UK

City would be adrift 'sans Emu'

From Mr Robert Walter.

Sir, It is indeed disappointing to read your leader "City sans Emu" (May 9). Even the FT has been infected with Euro-scepticism.

The experience of the last 10 years in the City surely demonstrates that any establishment can be purely transitory. Personnel and their information technology are at X Bank today and can be at Y Bank tomorrow. Cities and countries are of little consequence in this equation; what matters is "where is the market?".

Outside a European single currency London may well have a role, but will it be central to the affairs of the financial community? Today's international transactions will tomorrow be domestic. It's all very well to suggest that the Maastricht criteria will reduce official borrowing to 3 per cent of gross domestic product. But that is still an awful lot of borrowing which will be tomorrow's benchmark. In modern times London has never been an "offshore centre": could it survive as such when the core markets that determined its benchmark were "on shore"? I suspect not. Within months, if not before the establishment of a single currency, the German and French banks would repatriate their investment banking activities to the core market.

There is a euro-dollar market and a euro-yen market in London today, but nobody would suggest they do anything but follow New York or Tokyo. A new euro-currency market, sans Britain, in London would be destined to follow Frankfurt. The question then will be, do we shadow a German Europe or are we true to British post-war history and join Emu after the bloody foreigners have made all the rules without us?

Robert Walter,
110 Grosvenor Road,
London SW1V 3LG, UK

Royalty comparison should be with Europe

From Mr Anthony Mayer.

Sir, In advocating freedom from royals, and about the absurdity of some titles setting the wrong tone in society, Michael Prowse may have drawn the wrong comparison with the US instead of with other European countries ("Free from royals", May 6).

First to keep in mind is that, besides Spain, almost all north European countries still retain symbolic monarchies to head their state – including two countries like The Netherlands and Sweden which rank among western Europe's most egalitarian economically. Second, the question remains whether abolishing the British monarchy and all lesser titles would need to be replaced with an elected presidential figure, like, for instance, the French president (who also centralises much of the executive responsibilities in collaboration with a nominee prime minister, a system sometimes described as being in effect an elected monarchy).

At stake here are more than just archaic class titles and feudal remnants. The UK, with an unwritten constitution, was the first to introduce parliamentary democracy and clearly separate the function of head of state from that of head of government. Without a strong sense of centralised national culture, as, for instance in France, one should ask what type of institutional arrangement would eventually hold Britain together under a republican regime.

These are the real questions to ask in a country which has long combined the preservation of old traditions, social titles and protocols, with a pragmatic sense of innovation.

As attested by Mr Prowse, maybe there is a greater English propensity to criticise the idea and manifestation of social classes in every day life as opposed to a more abstract ideological focus in French intellectual and political life. This could also denote maybe the influence of Anglo-Saxon individualism whenever social affiliations come to be perceived less as an instrument of self-advancement but instead as an obstacle to it.

Anthony Mayer,
308 West 103rd Street,
New York, NY 10025, US

Doubtful value of nuclear fusion research

From Mr Clive Bates.

Sir, Research into nuclear fusion is exciting ("Jet gets off the ground", May 8), but is it useful? Outside the nuclear world, it is difficult to imagine a parallel for spending £3.9bn for an experimental reactor on top of the billions spent over the last 17 years, to produce half an hour of sustained heat 10 years from now.

The one working fusion reactor, the sun, delivers to earth more energy than human-kind could ever use. A sustainable energy economy will eventually be based on solar energy embodied in light, wind, waves and crops. In transition we will learn to use energy much more efficiently and make careful use of scarce natural gas in combined heat and power plants. These developments will be challenging, but they have three advantages over nuclear fusion: they work; they are available now and their costs are at least within sight of current market prices.

Clive Bates,
programme manager,
International Institute for Energy Conservation,
1-2 Purley Place,
London N1 1QA, UK

William Morris not hostile to manufacturing industry

From Mr James Joll.

Sir, It is a tribute in itself to William Morris's reputation that the exhibition marking the centenary of his death (sponsored by Pearson) should provoke a leader in the FT ("Design matters", May 10). That said, may I take issue with your interpretation of Morris and thus your reflections on his rôle in the development, as you allege, of a culture in the UK hostile to manufacturing industry from the 19th century on.

I would like to draw your readers' attention to two facts about Morris. First, he was an outstandingly successful businessman, creating a retail brand that would be the envy of most companies today. Second, his success owed a great deal to his commitment to understanding the design process, recreating forgotten techniques and creating objects that, while not cheap, were highly differentiated and thus attractive to his customers. He understood thoroughly all the manufacturing processes necessary and in fact Morris & Co made good use of modern machinery at its Merton Abbey works.

Finally, you should not forget that no lesser authority than Sir Nikolaus Pevsner identified Morris as one of the pioneers of the modern movement.

James Joll,
3 Burlington Gardens,
London W1X 1LE, UK

Personal View · Christopher Chataway

Safety first in the skies

Europe needs a single authority to set air safety standards and monitor them

Five years ago, there was much talk about the imminent development of a handful of global airlines and of liberalisation of the industry that would allow such airlines to operate around the world.

In fact, air travel over most of the globe is still regulated by bilateral agreements and the only significant strides towards liberalisation have been taken by the European Union. The European Commission has, in recent years, been the agent of liberalisation and deregulation on a scale never before seen in international aviation.

Today, British Airways competes in the German and French markets through Deutsche BA and TAT, the French regional carrier. Virgin is acquiring a controlling share of Euro-Belgian, which is already offering low-cost competition on six routes out of Brussels. In Italy, Alitalia faces head-to-head competition on several routes – including Milan-Rome, the busiest, where Air One uses the same airport at both ends.

It is clear that the old order under which national flag-carriers carved up Europe's skies is cracking. With complete liberalisation next year, there will be further opportunities for efficient airlines – and for passengers who will benefit from greater competition.

A lot of us have been critical of the Commission's decisions to allow state aid to national airlines, which remains an impediment to fair competition. The political realities are that the Commission cannot force the French or Spanish governments to put their flag-carriers into liquidation. But it is widely felt more could have been done, and faster, to drive out state subsidies – the challenge by British Airways and others to the Commission in the European Court seems well-justified. There is no denying, however, that overall the Commission's achievements in aviation have been impressive.

However, there is a danger of petrification – and new initiatives will need to be agreed by governments if the single market is to achieve its potential. One such area is safety regulation, where a particularly serious situation is developing.

Throughout the 1970s and 1980s, the countries of Europe made steady progress towards harmonisation on safety standards through the Joint Aviation Authorities (JAA). With much hard work and persistence, experts hammered out common airworthiness requirements, working together informally and reaching agreements by consensus.

But over recent years, it has become clear that the JAA will not be adequate in the new single aviation market. Maintenance, licensing and operational requirements must be harmonised if competition is to be on anything like a fair basis. But it is proving a lengthy and frustrating business to reach consensus on matters such as flight-time limitations in the traditional JAA way.

Agreement was almost reached among the JAA members on a new convention that would have given the organisation legal status and introduced a form of qualified majority voting. But this is now stalled, with deadlock over the issue of the relationship between the JAA and EU institutions. Germany argues that the Commission is required to supervise aviation safety and cannot be left out of the process.

A further complication is the attitude of the US Federal Aviation Authority (FAA) which has become increasingly sceptical about the JAA's ability to deliver common standards across Europe.

Unlike its European counterparts, the FAA has a duty to assist its country's exports. This has led it to encourage McDonnell Douglas to approach individual European safety authorities for certification for its new MD900 helicopter. The JAA has refused until some technical issues have been resolved. There is apparently a German purchaser wishing to buy the helicopter, and a possibility that the German safety regulator might certify it unilaterally.

There is, therefore, a danger that the harmonisation agreements of 20 years will begin to unravel. Yet it would be hopelessly bureaucratic and wasteful – as well as inconsistent with a single market – for individual EU states to have different safety requirements.

> There is a danger that the harmonisation agreements on European air safety, created over the last 20 years, will begin to unravel

European manufacturers have pressed for a single European airworthiness authority with sole responsibility for certifying and validating all aircraft. Most safety experts believe that a single body is needed to deal with airworthiness and other safety requirements, such as operations and maintainence. There is concern that the expertise assembled and developed by the JAA should not be lost.

It seems unlikely that a single European safety authority with total responsibility for these matters can be reached in one step. What is now required is a new legally constituted JAA with a system of majority voting. It should have rule-making powers in all areas now covered by JAA agreements, and progressively extend its scope to new areas as agreements are reached. And it should have the capacity to enforce consistency in implementation by national safety authorities.

The new body should also be associated in some way with the European Commission which would be involved in its dealings with third parties. That would bring it the clout needed if it is to punch its weight with the US authorities.

These are no more than the outlines of a possible solution. But it is urgent to agree a new structure on grounds of safety and in the interests of the European aviation industry.

The author retires as chairman of the UK Civil Aviation Authority at the end of the month. This is an edited extract of a speech given last week to the Aviation Club.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday May 13 1996

Recovery path at Lloyd's

Lloyd's of London is entering new waters. There is a real prospect that the insurance market's troubles are at last about to be resolved. Enough of its investors – the Names – appear willing to back a revised recovery plan, as announced on Friday, to offer it a good chance of success. If the plan works, Lloyd's will be able to start planning for a market free from the shadow of litigation and without a question mark over its future solvency.

By the end of August, Lloyd's hopes to have collected sufficient funds from Names to finance Equitas, the reinsurance company which plans to take responsibility for billions of pounds of mainly US liabilities outstanding on insurance policies sold before 1993. To help meet the cost of Equitas, to end litigation and to help Names meet their debts, Lloyd's has assembled a settlement offer worth £3.1bn.

There are still some remaining obstacles, most seriously in the US where Lloyd's is fighting a series of legal actions being conducted by state securities regulators. However a deal struck in California late last week, along with other standstill agreements, could be a harbinger of better news from the US as well.

Some Names are still complaining about the size of the contributions from other market constituents. But it is hard to see how Lloyd's might find substantial additional sums of money. The timetable for the recovery plan is already running dangerously close to August 31 and the solvency test set by the Department of Trade and Industry. To postpone this test would leave the government open to accusations of allowing political expediency to overrule responsibilities towards policyholders.

Structures

So Names appear to be falling into line on the sensible assumption that what is now on the table really does amount to a final offer. In that case, Lloyd's will have to start getting to grips with some big questions about its future market structures.

First, there is the issue of regulation. Lloyd's has tried to separate its regulatory department from the rest of the organisation. But after the troubles of recent years, only independent supervision would restore confidence. This would need legislation.

Second, the administration and management of the market is bureaucratic and costly. It is run by a council which includes representatives of all sections of the Lloyd's community. That makes it hard to decide on overall strategy, and strengthens the case for an overhaul of legislation relating to Lloyd's.

Third, management time has been devoted to short-term survival, rather than to streamlining processes and trimming expenses. Too few services are contracted out. Not enough attention has been paid to the benefits of information technology. Lloyd's has to become more efficient in order to compete with low-cost reinsurance providers in Bermuda and highly capitalised rivals in Zurich and Germany.

Syndicates

Next, there are questions about the appropriate capital base. Lloyd's needs to remain a substantial size to be a serious player, but it also has to be careful to avoid excess capacity.

Lloyd's needs to ask itself whether it is sensible to continue raising much of its capital annually – as favoured by Names who like to switch into and out of syndicates. It has to keep Names on board if it is to have sufficient capacity to win the best business. But underwriters have to plan over a longer term. The injection of £1.5bn of corporate capital in the last three years has been helpful, introducing professional standards, but Lloyd's cannot afford to rely too heavily on investors who are by necessity cautious. The selling point of the market, after all, is that it is a place where you can insure the uninsurable.

If the recovery plan succeeds in getting rid of most of the litigation and other problems of the past, there is real scope for rebuilding Lloyd's position in the insurance world. But there will still be much to do to cut costs and ensure the right balance between entrepreneurial flair and proper regulation.

Nation-states of Europe

Jacques Chirac's visit to Britain this week will be a largely ceremonial affair. It is a state visit, which means he comes as head of state, and guest of the Queen, rather than as political leader. In a four-day programme, only two hours on Wednesday morning are set aside for talks with John Major.

It is not to be expected, therefore, that spectacular progress will be made on the many issues that the UK and France have to discuss, from beef to Bosnia. No doubt they will discuss these issues, notably the reform of the Nato, the role of the Western European Union, and the need to avoid again being left alone in Bosnia if US troops withdraw at the end of the year. But for that kind of business, this week's meeting will be only one among many.

But Mr Chirac *is* a political leader as well as head of state. That he should want to spend four days in this way, and that he should be invited to do so only one year into his presidential mandate, constitutes a significant political gesture made by Britain and France towards each other. Ceremony in this instance is heavily charged with symbolism.

Mr Chirac and Mr Major like each other. They are fully aware of the many issues which divide them, and of their countrymen's capacity to get on each other's nerves. But they also recognise a number of things which Britain and France have in common: things which have often made them rivals, but also give them common interests, both in Europe and in the wider world.

They are both historic nation states (even if the UK sometimes blurs the issue by claiming to comprise four separate nations). Indeed, France and England have some claim to be considered the twin prototypes of a political model now universally imitated.

Geography

They are both maritime powers, situated at the seaward end of the European peninsula. That geography has given them a history of overseas expansion which has an enduring legacy. Both maintain links with former colonies scattered around the globe.

Both states have a more or less continuous history in which they take pride. Both emerged on the winning side from the two world wars of this century. That enabled both to claim a seat alongside the superpowers at the top table of the post-war world order, as permanent members of the UN security council. Both continue instinctively to measure power in military terms. They are proud of their armed forces, and ready to use them, if necessary, far from home. They have also acquired nuclear weapons. Their horizons are global, not confined to their immediate neighbourhood.

Relations

In all those respects Britain and France are more like each other than like most other European states; and in particular they are unlike Germany. Both are committed to maintaining good relations with present-day Germany, and they are not above competing for German support on occasion. But they feel more relaxed about each other than they do about Germany; and they share an interest in preserving their sovereignty and freedom of action even while co-operating in the EU, whereas Germans often give the impression of fearing their own freedom of action, and wishing as far as possible to pool their sovereignty in a federal Europe.

All that is true, but it boils down to saying that France and Britain are status quo powers, with an interest in preserving what they can of an old order. That is hardly an adequate basis on which to plan the future.

Moreover, there is a profound asymmetry. France has a common frontier with Germany, and an experience of defeat and occupation which Britain does not share. Managing the relationship with Germany, and the affairs of the continent, has to be the first priority for France.

That is why even Mr Chirac, whose pragmatic nationalism made him at first sight the ideal French partner for Mr Major, soon disappointed any British hopes that he would scrap the plan for a single European currency. France and Britain may be allies in many small things. On the one big thing they remain far apart.

India: the men who would be king

PV Narasimha Rao   VP Singh   AB Vajpayee   RK Narayanan   Jyoti Basu

The dawning of a new era

India's regional parties are the true winners of the election and the balance of power may be altered forever, argues **Mark Nicholson**

Now that the votes of hundreds of millions of Indians have been cast and counted in one of the fairest and least violent general elections since India's independence, and the biggest ballot in history, the awkward business of governing the world's second most populous country can resume.

Not quite at once. India's 11th election, the biggest democratic ballot in history, was subdued by tight curbs on campaign spending and was devoid of either compelling national issues or dominant personalities. It has returned a fragmented and complex permutation of parties. None of India's main political groups enjoys a governing margin.

The Hindu nationalist Bharatiya Janata Party and allies won 181 seats, on latest count, Congress and its close allies 136, the "social justice" National Front-Left Front combine 98. And fully 99 of the next Lok Sabha parliament's 545 MPs represent a raft of smaller parties, mostly regional or caste- based.

Never in India's recent history have so many political leaders gathered in Delhi, each carrying a chance of emerging as India's next prime minister.

This may turn out to be Mr Atal Behari Vajpayee, leader of the BJP which emerged as biggest party. Or it could be Mr V.P. Singh or Mr Jyoti Basu of the National Front-Left Front alliance which this weekend was struggling to unite itself behind an agreed leader while also courting the smaller parties. Or even, with a routed Congress party still a significant bloc in parliament with 135 seats, some compromise candidate, such as Mr R.K. Narayanan, India's vice-president, may emerge to unite Congress, regional parties and the NF-LF in an anti-BJP front.

But if the shape of India's next government remains unclear for the next few days, India's electorate has nevertheless sent some clear signals. It has continued to desert a tired and cynical-looking Congress party, whose share of the vote fell to a historically low 30 per cent. It has sustained the strong rise of the better-organised BJP with its more emotive appeal to Hindu cultural and economic nationalism.

Most starkly of all, however, the electorate has voted for the castes and parties of the regions in droves. A host of parties representing "low" and "backward" castes, and populist movements from states across the union, were this election's real winners. The 20 or more such organisations received a large 11 per cent swing in their favour, and now account for almost 40 per cent of the Indian vote, although that still means only some 70 seats in the new parliament.

No government can be formed or survive without their support. And these new regional parties recognise their power and the implicit shift in Indian politics it represents. It is one which may forever alter the balance of political power between the centre and the states. As state-based political barons press their cases with new vigour at the centre, it will affect both the direction of economic policy and the allocation of national resources. "They are certainly going to test to the extreme the widespread view that there is an overall 'consensus' about the economic reforms," said a western economist.

These regional barons' quest to impose their interests has begun immediately. The leaders of the four biggest regional groupings, the Telugu Desam Party (Naidu) from Andhra Pradesh, the Dravida Munnetra Kazhagam, which swept Tamil Nadu in league with Congress party defectors, and two smaller Assam and Punjab parties met yesterday to hammer out a united front. "You're seeing the return of political federalism," said Mr N. Ram, editor of the Madras-based Frontline magazine.

Moreover, India's political parochialism runs deeper still. The NF-LF, for example, is a coalition of essentially regional parties with narrowly localised support. The Communist Party of India (Marxist) draws almost all its national MPs from West Bengal. Most MPs of the Janata Dal, the other chief component of the Front, were elected in either Bihar or Karnataka. Even the BJP's support, so far, is concentrated in six west and north Indian states. Only Congress, after this election, cannot point to a natural regional base. Its 30 per cent share of the vote is spread thinly across the union and it rules only two of India's 15 biggest state legislatures.

In part the "return of federalism" is a gradual but increasingly assertive reaction to the heavy-handed rule of the Congress party. Many analysts argue that under Mrs Indira Gandhi it distorted the true federalism written into India's constitution by seeking to keep the states under its firm control.

Congress' misreading of regional politics partly cost it the election. The decision of Mr P. V. Narasimha Rao, party leader, to ally with the deeply unpopular AIADMK party in Tamil Nadu led local Congress MPs to defect en masse in protest and ally with the rival DMK. They swept the state, and deprived Congress of 37 seats. Party officials describe misreading Tamil Nadu as an "occupational hazard of politics", but Congress has in the past few years been making a dangerous habit of misreading political trends, or failing to accommodate them.

Another misreading which has cost it support is the party's inability to harness the rising political "awakening" of India's lower and middle-ranking castes, losing out to new caste-based parties which have sucked away Congress support in Uttar Pradesh and Bihar, where the party has been eviscerated, and in this election in Madhya Pradesh, Punjab and Maharashtra.

These lower caste parties, too, have increased their footholds at the centre. The Bahujan Samaj Party representing Dalits – once "untouchables" – won 11 seats this time from just two in 1991. The "backward caste" Samajwadi Party won 14, against four in 1991. Together with the regional groups, these parties too are likely to press for political and economic policy realignments at the centre.

The effect of this splintering of the political firmament on the economic policies of the next government is only clear in outline. It will depend critically upon whether the next government is a BJP-dominated coalition, or one somehow cobbled out of the NF-LF, perhaps Congress and others.

The populism of most regional groups and the very nature of the lower-caste parties inclines them towards India's poorest, its rural population rather than urban Indians (only a quarter of Indians live in cities), and farmers rather than industrialists. "There will be immediate pressure to increase resource allocations from the centre to the states, and to alter the bias of resources towards health, education and social welfare," said Mr Ram.

Some fear that this may immediately threaten the delicate macro-economic balance wrought by Mr Manmohan Singh, the Congress finance minister, over four years of revolutionising fiscal, trade and industry liberalising reforms. "There could be pressure on the fiscal deficit straightaway," said one concerned western economist.

Foreign investors, direct or portfolio, might also pause, depending upon the eventual political configuration. The markets would prefer a BJP government, despite the party's reservations about some forms of foreign investment, since the party has far more clearly delineated free-market, trade and industrially minded policies. An NF-LF, regionally-backed combine would give greater cause for concern, even if Congress somehow underwrote it.

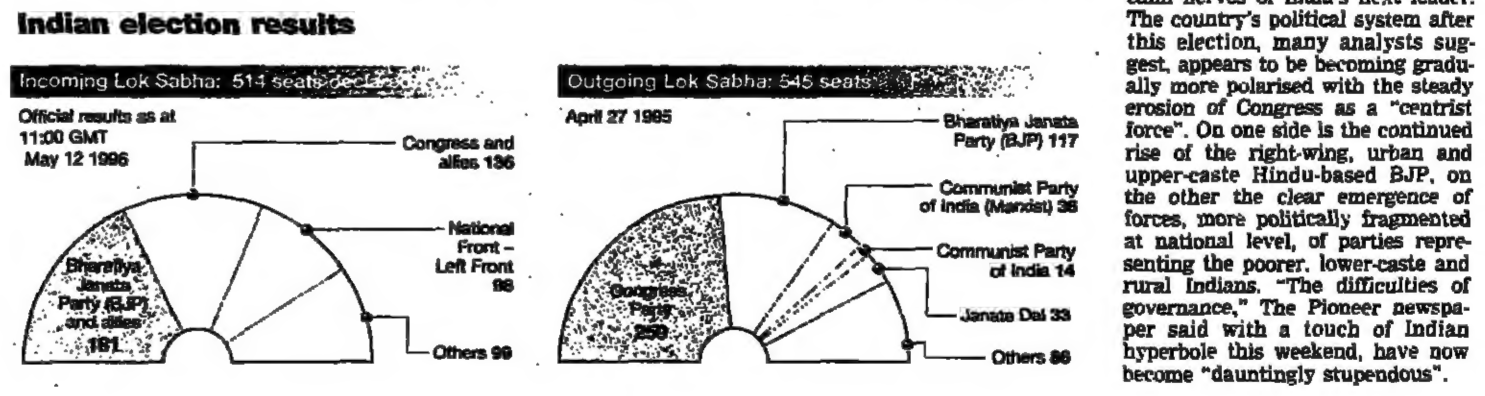
And whatever coalition results, its politically variegated nature will raise substantial risks of instability. Few veteran Indian pundits give the next government much chance of surviving a year to 18 months. Pessimists give it six months.

Other anxieties include those of the "secular, democratic" parties, like the NF-LF and some regional groups, that a possible BJP-led government might prove religiously "divisive" and upset the social peace between Hindus and India's more than 110m Moslems – this is the greatest binding agent for these parties' own coalition attempts.

Hopes for the next government might be highest among the poor, lower castes and regions which are now more strongly represented at the centre. The greatest hope, however, must be that Indian politicians can manage the more fractured polity which has emerged, and perhaps amend economic policy without derailing the fragile economic revival which is the last government's greatest endowment.

This will require dexterity and calm nerves of India's next leader. The country's political system after this election, many analysts suggest, appears to be becoming gradually more polarised with the steady erosion of Congress as a "centrist force". On one side is the continued rise of the right-wing, urban and upper-caste Hindu-based BJP, on the other the clear emergence of forces, more politically fragmented at national level, of parties representing the poorer, lower-caste and rural Indians. "The difficulties of governance," The Pioneer newspaper said with a touch of Indian hyperbole this weekend, have now become "dauntingly stupendous".

Indian election results



· OBSERVER ·

A fistful of dolours

■ A question for company directors: should your long-esteemed colleague remain on the board if it turns out he's been beating his wife?

Several of Canada's best-known companies are asking that question about Earl Joudrie, whose string of directorships include Abitibi-Price, North America's biggest newsprint producer; Gulf Canada Resources, an international oil and gas company; and Unitel Communications, a long-distance phone operator.

A jury in Calgary last week acquitted Joudrie's estranged wife Dorothy of attempted murder, despite undisputed evidence that she shot her husband six times at point-blank range.

Joudrie admitted on the witness stand that he had struck his wife on several occasions over the years; she also alleged he pushed her into a wall at a posh golf club near Toronto.

Less than a day after the verdict, Joudrie said he was stepping down as chairman and taking a leave of absence as a director of Canadian Tire, the country's biggest hardware chain. But some colleagues seem to think – at least for now – that what happens at home is none of the board's business.

The (male) president of one Calgary-based energy group asserted that "we would do everything in our power to convince him to stay on our board… he's a very fine gentleman and a wonderful businessman."

Little and large

■ John Major seems for once to have been able to entertain a welcome guest from Germany, in the shape of the outspoken prime minister of Bavaria, Edmund Stoiber, who recently popped across to the UK.

Once nicknamed "Edmund Thatcher" by the German weekly newspaper *Die Zeit* (for his Euro-sceptical views), Stoiber is a firm believer in maintaining national identity, and in keeping strict curbs on the powers of the Brussels bureaucracy.

"Give them a finger, and they will take your whole hand off," he said during his visit – a phrase which could have come from certain members of Britain's Tory party.

Premier of a staunchly independent state, Stoiber is fiercely opposed to anything that smacks of a federal European Union. He is also a great believer in "subsidiarity", that awful Euro-concept Major admires, which means that, wherever possible, jobs should be done locally, not in Brussels.

The only trouble is, Major means keep the power in London. Stoiber means move it to Munich. But Stoiber doesn't seem to think that should harm their relations.

He may be seen as an arch conservative in Germany, but in today's Tory party he would almost certainly belong on the left wing. He is convinced Britain would be mad to pull out of Europe, where he sees it as a positive force for deregulation and competitiveness.

In spite of his conservative credentials, he was rather hoping to meet Robin Cook, Labour's shadow foreign secretary, no doubt just in case there might be a change of power. But Cook stood him up – a missed opportunity.

Most appealing

■ You've got to admire her persistence. Newly elected congresswoman Imelda Marcos yesterday lashed out at colleagues in the Philippine legislature. They want a full investigation into the former first lady's wealth.

She, perhaps understandably, does not, given she's currently out on bail, appealing against a 24-year prison sentence handed down for a cornucopia of graft.

Imelda, widow of the late dictator, Ferdinand Marcos, last week filed a personal wealth statement which – if true – would make her the poorest member of congress. She says the family knows nothing about the $5bn allegedly plundered by the "conjugal dictatorship" before the happy couple were overthrown in 1986.

Marcos, who makes regular television appeals to the country saying she is as "poor as a church mouse", told her 208 fellow legislators that her net wealth was minus 30m pesos ($1.1m). "The truth will prevail", she added.

Others were less optimistic: "If she's that poor then I'm Jackie Onassis," said congressman Hernani Braganza.

Very windy city

■ Move over Michael Jordan, Princess Diana is hitting town. In the sort of feeding frenzy Chicago hasn't seen since Queen Elizabeth II herself visited in 1959, socialites are lining up for the various junkets involving the Princess during her three-day stay from June 4.

Tickets are hotter than those for the ever-popular Chicago Bulls, now heading for their fourth consecutive National Basketball Association championship. They are also more expensive. Diana's appeal seems undiminished in the mid-west; 10 people have already forked out up to $50,000 each, to ensure they don't miss a single lunch or cocktail party.

Florists and dress-makers say Diana is creating more business for them than the upcoming and sure-to-be-dull National Democratic Convention. Maybe she could hang around and liven things up a bit?

The Financial Times

100 years ago

French Loan Mission to U.S.

Paris, 12th May:- The loan mission to Washington of M. Leon Blum was described as "an enormous success" by M. Andrew Philip, French Finance Minister, last night.

M. Philip said: "We need considerable aid from abroad as we import ten times more than we export and soon all foreign currency holdings of the Bank of France and all foreign assets which we are now beginning to requisition will not be sufficient to pay for our imports."

Speaking of France's domestic finances, M. Philip said: "The struggle must continue on the economic and financial plane to save France's currency and assure revival." - Reuter.

50 years ago

Seizure of a British Concession

Shanghai, 12th May:- The agent of the Russian Steam Navigation Company has secured the foreshore belonging to Messrs. Fergusson at Chefoo with the object, it is presumed, of building a pier. Objection was made by the other Chefoo firms, but the Russian Government intervening in the affair, the Chinese authorities acceded to the request of the Russian Vice-Consul. There are now six Russian warships at Chefoo and four United States war vessels. The action has provoked intense excitement.

FINANCIAL TIMES
Monday May 13 1996

Bulgaria plans shutdown of state enterprises in bid for IMF aid

By Theodore Troev in Sofia

Bulgaria is expected to announce today the closure of dozens of lossmaking state enterprises, throwing thousands out of work, in a bid to reach agreement with the International Monetary Fund on a support package to defuse the current economic crisis.

Along with the closures – which include coal mines, refineries, power stations and shipyards – the government will list enterprises to be restructured, likely to include Balkan Airways and the state railway company. Officials will be sent to the enterprises concerned to prevent looting of assets.

The announcement comes at the start of a crucial week for Bulgaria, after the central bank on Friday raised its main interest rate to a record 108 per cent from 67 per cent to halt the steep decline in the value of the lev, the national currency.

The currency crisis was triggered by concern about Bulgaria's ability to meet a heavy foreign debt repayment schedule.

Over the weekend, government and central bank officials expressed confidence that an agreement with the IMF on a new standby arrangement could be reached this week. An IMF mission is currently in Sofia.

Their confidence, coupled with the record interest rates, appeared to stabilise the lev, which has plunged this year from 70.70 to the dollar to a central bank fixing rate of 122.56.

However, many shops were refusing to accept the lev in payment for non-perishable goods, insisting on US dollars.

Analysts warned of the economic danger in the current level of interest rates. "This will freeze all investments," said Mr Emil Harsev, a former deputy governor of the central bank.

If the crisis continues when markets reopen today, the central bank is not expected to be able to intervene strongly to support the lev as its foreign exchange reserves have shrunk to $650m by the end of April from $1.3bn at the end of 1995.

Foreign bankers fear that, without IMF support, Bulgaria may fail to service debt payments of $1.2bn this year. But a deal will need an indication of the government's will for reforms.

Earlier talks with the IMF collapsed because the government could not push through the closure of the lossmaking state enterprises and a restructuring of the state-owned banks.

Critics cast doubt on whether the government's actions would restore confidence in reforms. "Confidence in state institutions is crumbling before our eyes," said Mr Garabed Minasian, a leading Bulgarian economist. "We do not trust our banks, our police or the statistics."

Lloyd's deal

Continued from Page 1

and Exchange Commission, the federal securities regulator, which suggested, contrary to past practice, that US Names should be able to have grievances heard in US rather than UK courts.

That could encourage lossmaking US Names to believe they still have a good chance of winning more in court.

Last week a motion filed by the California Department of Corporations against Lloyd's was dismissed on a technicality and the department had been expected to refile.

Under the weekend deal, new litigation is precluded until June 15. In the meantime, Lloyd's has agreed not to draw on letters of credit used as collateral by Names.

Lloyd's has won support from US insurance regulators worried about the effect of the securities regulators' actions on US policy holders.

Mr Chuck Quackenbush, California's insurance commissioner, said: "This agreement gives all parties to this action an opportunity to start afresh and attempt in good faith to resolve these perplexing issues without resorting to the expense and delay of a prolonged court battle."

Brussels faces embarrassment over reduced growth forecasts

By Gillian Tett in London

The European Commission will face fresh embarrassment this week over preparations for a single currency when it cuts its forecasts for growth in member states.

Weaker-than-expected growth has fuelled Commission fears that Germany and France will fail to meet budget deficit criteria for economic and monetary union.

Under the Maastricht treaty, states wanting to join a single currency in 1999 must reduce their budget deficits below 3 per cent of gross domestic product in 1997.

Any forecast that Germany and France will fail to meet this target will prove highly embarrassing for Mr Yves-Thibault de Silguy, European monetary affairs commissioner. In meetings with British officials in London last week he insisted the 3 per cent debt target remained "fully realistic and achievable".

Some observers suspect the Commission will now shy away from explicitly stating that French and German deficits will be more than 3 per cent of GDP.

The Commission denies its forecasts are politically massaged. But financial markets are likely to greet with deep scepticism any projection showing Germany and France on course to meet the deficit criteria.

"People will smell a rat – they just won't believe it," Mr Keith Skeoch, chief economist at stockbroker HSBC James Capel, said.

The Commission's last half-yearly outlook in November forecast growth in Europe this year at 2.6 per cent. This should enable France and Germany to meet the deficit target.

Mr de Silguy admitted last week that growth would be markedly less than 2 per cent. Commission officials are still thrashing out the final details of the growth and deficit forecasts, to be presented on Wednesday. But some believe the forecast for growth will be nearer 1 per cent.

The Organisation for Economic Co-operation and Development has already forecast that France and Germany will fail to meet the deficit criteria as a result of the broader economic slowdown in Europe.

Figures drawn up for the OECD ministerial meeting next week show that the German and French deficits will be significantly higher than 3 per cent next year, although the OECD has faced pressure to amend these to reflect the recent German budget cuts.

Some economists, like Mr Skeoch, believe these forecasts will trigger a wave of scepticism about Emu. Others, such as Mr Patrick Artus, chief economist of the French group Caisse des Dépôts, insist the political momentum behind monetary union simply means the deficit criteria will be relaxed.

Commission officials believe the impact of softening the treaty terms might be lessened if a greater focus was placed on the convergence process after monetary union starts. The Commission wants to create an "early warning" system that would encourage countries to keep cutting budget deficits under Emu.

Spanish knife to spending, Page 2

Zeroual aims to end Algerian fighting

by Roula Khalaf in Algiers

Mr Liamine Zeroual, the Algerian president, yesterday outlined his plan to end four years of violent struggle with Islamic militants.

His proposals include amending the constitution to bar Algerian parties from using religion or ethnicity for political ends, establishing a second chamber of parliament with appointed national figures and limiting any president to two five-year terms.

There has been no elected parliament since 1992, although a lower house continues to exist under the constitution.

Mr Zeroual's programme says political parties should renounce violence and have at least one founder-member and a minimum of 800 members in a majority of the country's 48 wilayas (provinces) before they could contest elections. Polling would be under proportional representation.

The parties were asked to respond within two weeks. A national conference on the proposals is planned for summer, and legislative elections scheduled in the first quarter of 1997.

Mr Zeroual won a landslide victory in presidential elections last November, and in April held a first round of consultations with political leaders.

After Algerians took to the streets in 1988 to demand democratic freedom and economic reform, Mr Chadli Bendjedid, then president, opened up the political system to make it more democratic. Parties emerged with as few as 15 members, and widespread dissatisfaction with the regime allowed an Islamic party, the Islamic Salvation Front (FIS), to win the first round of legislative elections in 1991.

The army stepped in and cancelled the second round of elections and the FIS was outlawed, provoking a struggle in which about 40,000 people have died.

Mr Zeroual seems to have little intention of allowing the FIS to contest elections. Outlawing religious parties will present problems, however, since he allowed one, Hamas, to contest last year's presidential elections.

Yesterday, some political leaders were doubtful whether Mr Zeroual intended to bring the country back to pre-1989 one-party rule or only lead it towards a more managed democracy. Some analysts suggested that the plan was simply a basis for discussions with political leaders.

Mr Ronald Newmann, US ambassador to Algeria, said yesterday that the US was encouraging a level of openness.

"We are not saying that you have to reach 100 per cent democracy, but you cannot get to stability through repression and without a political solution. This is what the Algerian government says it is going to do, and they will have a real opportunity to show this by the way they react to what the parties tell them about the memorandum," Mr Newmann said.

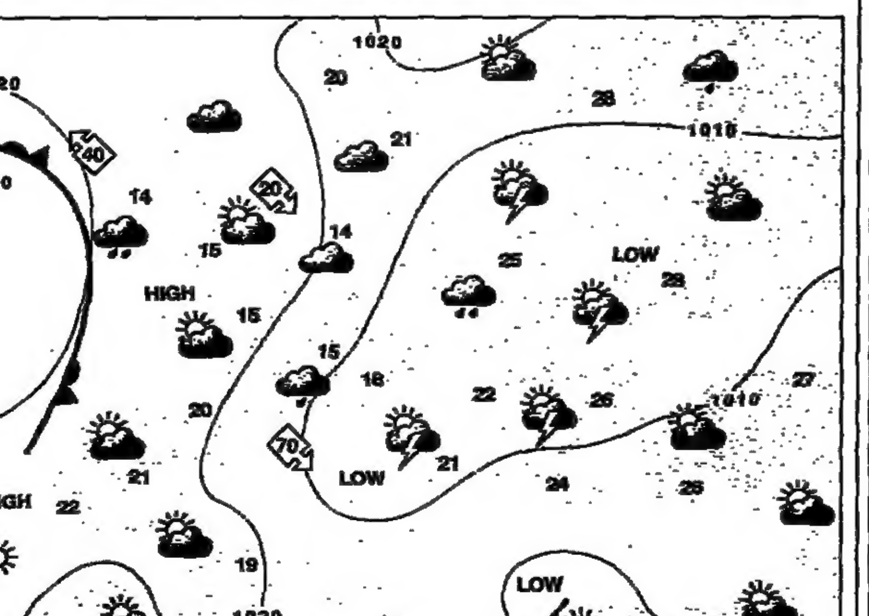
FT WEATHER GUIDE

Europe today

Much of western Europe will be dry and fair but temperatures will be low. Readings higher than 20C will only be found in southern France, in Spain and Portugal and in southern Scandinavia as warmer air from the east crosses the Baltic Sea. Central Europe and the eastern Mediterranean will be unsettled. Showers will be numerous, some with thunder, and temperatures will stay below normal, especially across Italy. The highest temperatures will be found around the Black Sea and over southern Russia where values will reach 30C in places.

Five-day forecast

A warming trend will improve conditions over Italy and Greece but Spain and Portugal will have an increased risk of showers as the week progresses. North-west Europe will stay mainly dry for the first half of the week. More cool air from the north will cross the North Sea countries during the second half of the week. The northern Alps are likely to have a lot of rain during the next couple of days.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	sun	25	Caracas	fair	30	Faro	sun	21	Madrid	fair	21	Rangoon	fair	33
		Celsius	Belfast	fair	14	Cardiff	fair	14	Frankfurt	cloudy	15	Majorca	windy	20	Reykjavik	sun	12
Abu Dhabi	sun	41	Belgrade	fair	21	Casablanca	sun	21	Geneva	rain	17	Malta	shower	19	Rio	fair	27
Accra	shower	31	Berlin	fair	22	Chicago	fair	18	Gibraltar	sun	20	Manchester	fair	13	Rome	thund	20
Algiers	sun	19	Bermuda	fair	22	Cologne	cloudy	15	Glasgow	fair	13	Manila	fair	34	S. Frsco	fair	23
Amsterdam	fair	13	Bogota	cloudy	20	Dakar	sun	26	Hamburg	fair	17	Melbourne	cloudy	17	Seoul	sun	23
Athens	fair	24	Bombay	fair	33	Dallas	thund	32	Helsinki	fair	21	Mexico City	fair	22	Singapore	fair	32
Atlanta	shower	18	Brussels	fair	14	Delhi	sun	37	Hong Kong	fair	26	Miami	sun	30	Stockholm	fair	20
B. Aires	sun	25	Budapest	shower	24	Dubai	sun	40	Honolulu	sun	30	Milan	thund	21	Strasbourg	cloudy	14
B.ham	fair	14	C.hagen	fair	20	Dublin	fair	13	Istanbul	fair	26	Montreal	fair	9	Sydney	sun	18
Bangkok	shower	36	Cairo	sun	36	Dubrovnik	fair	19	Jakarta	fair	32	Moscow	fair	28	Tangier	sun	22
Barcelona	sun	19	Cape Town	rain	18	Edinburgh	cloudy	11	Jersey	fair	13	Munich	rain	15	Tel Aviv	sun	30
									Karachi	sun	36	Nairobi	fair	27	Tokyo	fair	21
									Kuwait	sun	38	Naples	shower	20	Toronto	cloudy	10
									L. Angeles	sun	24	Nassau	sun	30	Vancouver	rain	16
									Las Palmas	sun	24	New York	sun	16	Venice	shower	20
									Lima	sun	22	Nice	fair	21	Vienna	shower	20
									Lisbon	sun	20	Nicosia	sun	31	Warsaw	thund	23
									London	fair	18	Oslo	fair	20	Washington	sun	18
									Lux.bourg	cloudy	13	Paris	fair	15	Wellington	fair	14
									Lyon	cloudy	16	Perth	sun	21	Winnipeg	fair	17
									Madeira	fair	19	Prague	shower	19	Zurich	rain	14

THE LEX COLUMN

Risky business

The two-year-old legal battle between Procter & Gamble and Bankers Trust over derivatives contracts has been settled out of court. In the meantime, the market has adapted to a new type of risk: the legal risk of being sued for selling clients instruments they do not fully understand or which are inappropriate to their needs.

At the time, P&G's legal action shocked the derivatives industry. As in the securities markets, the overriding attitude towards professional clients was *caveat emptor*. Logically or not, it is now accepted that derivatives are different because of their complexity. Documentation has become much more precise, detailing not only the terms of the agreement but potential changes in valuations.

At its worst, innovation in the derivatives market was more about finding a way of gaining fatter margins than providing clients with useful instruments. After a slump, volumes have revived, but clients are sticking to plainer instruments. Even hedge funds, badly burnt by the bond market collapse of 1994, have lost some of their appetite for leveraged risk. The result is that margins for banks have thinned. The fee for a currency option with a face value of $1m appears to have stabilised at around $500 compared with $1,000 a few years ago.

So it is more or less a happy ending, with pushers and victims reaching some sort of accommodation. The exception is Bankers Trust, which bore the brunt of criticism and saw profits slump as a result. It still has to find a new identity: most imaginative inventor of derivative instruments is no longer a desirable label.

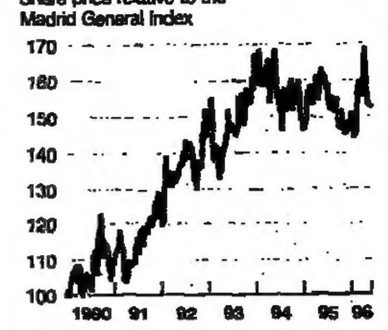
Spanish privatisations

The fanfare over the Spanish government's announcement of Pta200bn ($1.58bn) of budget cuts on Friday drowned out its equally significant commitment to raise much more through privatisations. Government's stakes in five listed companies – Argentaria, Endesa, Repsol, Tabacalera and Telefonica – are worth around Pta2,400bn, and there are many more unlisted companies. Mr Josep Pique, industry minister, rightly wants to liquidate the state industrial holding company Teneo. Given the recent rally in Spain's financial markets, he has the perfect opportunity to make a start.

The previous socialist government was not averse to privatisations, but disposals were marred by confused execution, in timing and size of issues. There was also an unhealthy penchant for *noyaux durs* – cozy groups of

Repsol

Share price relative to the Madrid General Index



Source: FT Extel

long-term shareholders, which protect management from the rigours of shareholder discipline. The new government should stand by its criticisms of such methods, if it wants to maximise revenues – and this should be a priority, given Spain's commitment to joining a single European currency.

The most sensible approach for the government would be to sell out of Repsol, the oil group, and reduce its investment in the state utility Endesa this year. A sale of telecoms giant, Telefonica, should be postponed, since the company offers considerable scope for rationalisation, and there is a surfeit of alternative telecoms offerings. But an attractive alternative would be a trade sale of Argentaria. By offering a slice of the Spanish banking market to all-comers, the government would get an excellent price – and revitalise the banking sector at the same time.

UK pre-emption rights

Do pre-emption rights inflate the cost of capital or keep it low? Most institutional investors think the latter. Ironically, given the controversy over the high cost of underwriting, their case rests on the level of fees. Though the 2 per cent commission typical in rights issues may be considered excessive, the institutions say, it is still less than half the rate US companies pay in bookbuilding exercises. Moreover, 1¼ per cent comes back to investors in sub-underwriting fees, so the actual cost of raising funds is even less.

The fundamental flaw in this argument is that it assumes that fees are the only things that influence the cost of capital. Though US companies pay higher underwriting commissions, their shares are marketed to a broader range of investors. The simple act of casting the net wider cuts the cost of capital – even if existing investors are keen on a stock, there are limits to the proportion of their portfolio they will want to hold in it. An effective marketing campaign can further cut the cost of capital by generating enthusiasm. This will only work when companies have an attractive use for the cash; but there is no harm in a system which allocates capital to companies with the best investment cases.

Clearly, there is a trade-off between fees paid to bankers and the value of reaching a new shareholder base. Where the balance of advantage lies cannot be decided on an a priori basis. Hence, the merit of the Confederation of British Industry's position that companies should have flexibility to decide on a case-by-case basis which method to choose. Investors should back it rather than staying stuck in the mud.

UK power

"We do companies no favours in the long run," Britain's trade secretary Mr Ian Lang said last week, "by allowing them the luxury of protection from competition at home." Nor, he might have added, by protecting them from takeovers. Still, Mr Lang will soon have a chance to put his new pro-competition policy into practice – when he is asked to clear National Power's forced sale of power stations to Hanson's Eastern Group. The deal is designed to increase competition in generation; the question is whether it is enough.

There are two reasons for doubt. First, both PowerGen and National Power want their forced sales to go to Eastern. The result will be only three real competitors at times that matter, when electricity demand is high. Three bidders is better than two, but not much.

Second, the generators have conveniently struck deals which curb Eastern's incentive to bid prices down, by linking payments to the amount of power it sells. This increases Eastern's marginal costs; as a result, it is unlikely to undercut the generators as aggressively as if it had paid for the power stations up front.

The right answer would be another Monopolies and Mergers Commission inquiry, looking harder at competition in power generation; until this problem is properly cracked, the sector will continue to be plagued by regulatory gamesmanship. Of course, an inquiry could upset the government's nuclear privatisation, so the odds are against one. Nonetheless, it is depressingly likely these disposals will not be enough to create a truly competitive market. If so, the generators had better be prepared to endure the same arguments all over again.